



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF CYGNET
WOOD COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Cygnet
Wood County
P.O. Box 190
Cygnet, Ohio 43413

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cygnet, Wood County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cygnet, Wood County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 9, 2019

Village of Cygnet, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$29,357	\$3,090	\$32,447
Municipal Income Tax	91,678		91,678
Intergovernmental	21,400	28,120	49,520
Charges for Services	18,939		18,939
Fines, Licenses and Permits	360		360
Earnings on Investments	54		54
Miscellaneous	3,843		3,843
<i>Total Cash Receipts</i>	<u>165,631</u>	<u>31,210</u>	<u>196,841</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,990		13,990
Leisure Time Activities	7,954		7,954
Community Environment	419		419
Basic Utility Services	3,533		3,533
Transportation		23,507	23,507
General Government	94,965		94,965
<i>Total Cash Disbursements</i>	<u>120,861</u>	<u>23,507</u>	<u>144,368</u>
<i>Excess of Receipts Over Disbursements</i>	<u>44,770</u>	<u>7,703</u>	<u>52,473</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(15,851)		(15,851)
Other Financing Sources	3,928		3,928
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(11,923)</u>		<u>(11,923)</u>
<i>Net Change in Fund Cash Balances</i>	32,847	7,703	40,550
<i>Fund Cash Balances, January 1</i>	<u>45,294</u>	<u>125,906</u>	<u>171,200</u>
Fund Cash Balances, December 31			
Restricted		133,609	133,609
Assigned	71,965		71,965
Unassigned	6,176		6,176
<i>Fund Cash Balances, December 31</i>	<u>\$78,141</u>	<u>\$133,609</u>	<u>\$211,750</u>

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	Enterprise
Operating Cash Receipts	
Charges for Services	\$412,399
Operating Cash Disbursements	
Personal Services	48,323
Employee Fringe Benefits	10,809
Contractual Services	315,548
Supplies and Materials	19,630
Other	9,150
<i>Total Operating Cash Disbursements</i>	403,460
<i>Operating Income</i>	8,939
Non-Operating Disbursements	
Principal Retirement	(16,861)
Interest and Other Fiscal Charges	(942)
<i>Total Non-Operating Disbursements</i>	(17,803)
<i>Loss before Transfers</i>	(8,864)
Transfers In	15,851
<i>Net Change in Fund Cash Balances</i>	6,987
<i>Fund Cash Balances, January 1</i>	415,786
<i>Fund Cash Balances, December 31</i>	\$422,773

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Cygnet (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides street maintenance, electric and sanitary sewer utilities, trash services and park operations. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Fund The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Tax Fund The permissive tax fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Operating Fund The electric operating fund accounts for the provision of electric services to the residents and commercial users within the Village.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$170,001	\$169,559	(\$442)
Special Revenue	32,624	31,210	(1,414)
Enterprise	412,461	428,250	15,789
Total	\$615,086	\$629,019	\$13,933

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,025	\$137,159	\$44,866
Special Revenue	61,200	23,628	37,572
Enterprise	505,950	422,308	83,642
Total	\$749,175	\$583,095	\$166,080

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2018
Demand deposits	<u>\$634,473</u>
Cash on Hand	<u>50</u>
Total deposits	<u><u>\$634,523</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017 (the latest information available).

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Some Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Corn City State Bank Loan	\$17,894	3.5%

The Corn City State Bank Loan was obtained to retire the AMP-Ohio loan outstanding balance of \$150,000. The Village began to repay the loan in monthly installments beginning June 17, 2010 of not less than \$1,484 each, including interest, for 119 months thereafter. The Village must retain a reserve of 50% of outstanding principal in the Electric fund. The fund balance as of December 31, 2018 in the Electric Operating fund is \$286,437. The debt shall be repayable solely from the revenues of the electric system.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Corn City State Bank Loan
2019	17,803
2020	440
Total	\$18,243

AMPGS

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 100 kilowatts of a total 771,281 kilowatts, giving the Village a 0.01 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$17,163. The Village received a credit of \$4,522 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), and made payments of \$16,514 leaving a net credit balance of impaired cost estimate of \$3,873. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including AMP General Fund's project share.

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$204, and interest credited to the Village has been \$290, resulting in a net credit balance at December 31, 2018 of \$3,959. The Village does have a potential PHFU Liability of \$4,355 resulting in a net total potential liability of \$396, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

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Village of Cygnet, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,637	\$2,808	\$28,445
Municipal Income Tax	76,944		76,944
Intergovernmental	73,802	27,207	101,009
Charges for Services	17,061		17,061
Fines, Licenses and Permits	440		440
Earnings on Investments	90		90
Miscellaneous	5,516		5,516
<i>Total Cash Receipts</i>	<u>199,490</u>	<u>30,015</u>	<u>229,505</u>
Cash Disbursements			
Current:			
Security of Persons and Property	71,355		71,355
Leisure Time Activities	7,110		7,110
Community Environment	387		387
Transportation		12,093	12,093
General Government	83,454		83,454
<i>Total Cash Disbursements</i>	<u>162,306</u>	<u>12,093</u>	<u>174,399</u>
<i>Excess of Receipts Over Disbursements</i>	<u>37,184</u>	<u>17,922</u>	<u>55,106</u>
Other Financing Disbursements			
Transfers Out	(13,602)		(13,602)
<i>Net Change in Fund Cash Balances</i>	23,582	17,922	41,504
<i>Fund Cash Balances, January 1</i>	<u>21,712</u>	<u>107,984</u>	<u>129,696</u>
Fund Cash Balances, December 31			
Restricted		125,906	125,906
Assigned	12,024		12,024
Unassigned	33,270		33,270
<i>Fund Cash Balances, December 31</i>	<u>\$45,294</u>	<u>\$125,906</u>	<u>\$171,200</u>

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$347,557</u>
Operating Cash Disbursements	
Personal Services	49,702
Employee Fringe Benefits	12,256
Contractual Services	281,510
Supplies and Materials	21,266
Other	<u>9,141</u>
<i>Total Operating Cash Disbursements</i>	<u>373,875</u>
<i>Operating Loss</i>	<u>(26,318)</u>
Non-Operating Disbursements	
Principal Retirement	(16,281)
Interest and Other Fiscal Charges	<u>(1,522)</u>
<i>Total Non-Operating Disbursements</i>	<u>(17,803)</u>
<i>Loss before Transfers</i>	(44,121)
Transfers In	<u>13,602</u>
<i>Net Change in Fund Cash Balances</i>	(30,519)
<i>Fund Cash Balances, January 1</i>	<u>446,305</u>
<i>Fund Cash Balances, December 31</i>	<u>\$415,786</u>

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Cygnet (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides street maintenance, electric and sanitary sewer utilities, trash services and park operations. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Fund The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Tax Fund The permissive tax fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Operating Fund The electric operating fund accounts for the provision of electric services to the residents and commercial users within the Village.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$237,534	\$199,490	(\$38,044)
Special Revenue	4,619	30,015	25,396
Enterprise	294,164	361,159	66,995
Total	\$536,317	\$590,664	\$54,347

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,511	\$175,908	\$6,603
Special Revenue	61,200	12,093	49,107
Enterprise	476,700	391,678	85,022
Total	\$720,411	\$579,679	\$140,732

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	<u>\$586,936</u>
Cash on Hand	<u>50</u>
Total deposits	<u><u>\$586,986</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Some Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Corn City State Bank Loan	\$34,755	3.5%

The Corn City State Bank Loan was obtained to retire the AMP-Ohio loan outstanding balance of \$150,000. The Village began to repay the loan in monthly installments beginning June 17, 2010 of not less than \$1,484 each, including interest, for 119 months thereafter. The Village must retain a reserve of 50% of outstanding principal in the Electric fund. The fund balance as of December 31, 2017 in the Electric Operating fund is \$283,700. The debt shall be repayable solely from the revenues of the electric system.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Corn City State Bank Loan
2018	\$17,803
2019	17,803
2020	440
Total	\$36,046

AMPGS

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 100 kilowatts of a total 771,281 kilowatts, giving the Village a 0.01 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$17,163. The Village received a credit of \$4,522 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), and made payments of \$16,514 leaving a net credit balance of impaired cost estimate of \$3,873. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including AMP General Fund's project share.

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$204, and interest credited to the Village has been \$2184, resulting in a net credit balance at December 31, 2017 of \$3,853. The Village does have a potential PHFU Liability of \$4,232 resulting in a net total potential liability of \$379, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Cygnet
Wood County
P.O. Box 190
Cygnet, Ohio 43413

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Cygnet, Wood County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 9, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-003 and 2018-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 9, 2019

**VILLAGE OF CYGNET
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were noted in the accompanying 2018 and 2017 financial statements:

- In 2018 and 2017, General fund balances were not classified in accordance with Governmental Accounting Standards Board Statement No. 54 requirements. In 2018 and 2017, unassigned fund balances of \$71,965 and \$12,024, respectively, were adjusted and classified as assigned in order to properly reflect outstanding encumbrances plus unencumbered fund balances assigned for subsequent year appropriations.
- In 2018 and 2017, the Street fund balance was not classified in accordance with Governmental Accounting Standards Board Statement No. 54 requirements. In 2018 and 2017, committed fund balance of \$69,221 and \$65,902, respectively, were adjusted and classified as restricted.
- In 2018 and 2017, the Village made loan payments of \$17,803 each year from the Electric Operating Fund (Enterprise Fund). These payments were erroneously classified as Contractual Service Expenditures rather than as Debt Service (principal and interest) expenditures.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors. Additional errors were identified in smaller relative amounts for additional reasons.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk-Treasurer and Council, to identify and correct errors and omissions. The Clerk-Treasurer should also review the Village Handbook, Uniform Accounting Network (UAN) Manual, and Audit Bulletin 2011-004 for information on GASB Statement No. 54.

FINDING NUMBER 2018-002

Material Weakness – Monitoring of Financial Reports

Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation).

The Village Fiscal Officer is responsible for processing and entering Village transactions. The Tax Administrator is responsible for processing and maintaining an income tax system. The Council's review of reports showing support for the information entered is necessary to detect errors or irregularities, provide an effective checks and balance system, sufficiently monitor Village finances, and effectively safeguard the public's interests.

Council does not monitor Village reports to determine if the required records were maintained and balanced with the bank. These records would include, detailed receipt ledgers, utility and income tax department reports, reconciliations between general ledger and subsidiary ledgers, utility adjustment reports, and bank statements. Insufficient monitoring could result in errors and irregularities or fraud occurring and not being timely detected. The Tax Administrator only maintains a listing of taxpayers and records receipt information on their tax returns. There is no formal income tax system.

Due to the size of the Village, segregating every function may not be financially feasible; however, careful consideration of which functions need to be separated should be completed. The Village Council should review their procedures and where possible take steps to include involvement of employees from another department handling one of the functions, levels of approval and review of the record keeping, authorization, custody, and reconciliation of accounts.

Council should consider implementing a formal income tax system that tracks taxpayer's information (eg. tax amount, payments, amount owed, etc.) and utilizes a receipt ledger. In addition, for those cycles for which segregation of duties is not possible, Council should implement additional monitoring controls and take an active role in the operations of the Village, including, review of the following, at a minimum, to effectively monitor Village finances:

- Budget vs Actual Reports for both revenues and expenditures broken down by account,
- Detailed list of revenues and expenditures for the month,
- Reconciliations between the general ledger and subsidiary ledgers,
- Utility adjustment reports,
- Revenue reports from the utility and income tax departments, and;
- Bank reconciliations including supporting documentation.

Council's review and approval of these reports should be noted in the minutes.

FINDING NUMBER 2018-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5727.82(A)(3) provides, in part, that if the electric distribution company required to pay the tax imposed by section 5727.81 of the Revised Code is a municipal electric company, it may retain in its general fund that portion of the tax on the kilowatt hours distributed to end users located within the boundaries of the municipal corporation. In addition, the Village passed Resolution #4.2.01a authorizing the transfer of the inside kilowatt hour tax from the General fund to the Electric Operating fund.

Due to deficiencies over the monitoring of transactions, in 2018 and 2017 the electric deregulation kilowatt-hour taxes in the amounts of \$15,851 and \$13,602, respectively, were not recognized as Other Local Taxes Revenue in the General fund as outlined in the Ohio Rev. Code and Auditor of State Bulletin 2001-011 or transferred from the General fund to the Electric Operating fund per Resolution #4.2.01a. These monies were incorrectly retained in the Electric fund as Charges for Services. This resulted in the Electric Operating fund (Enterprise Fund) revenues being overstated and the General fund revenues being understated by the stated amounts and transfers not being reported.

Adjustments were made to the accompanying financial statements to correct these errors.

The Village should record these receipts to the General fund and then transfer the funds to the Electric Operating fund as directed by their ordinance.

FINDING NUMBER 2018-004

Noncompliance and Material Weakness

Ohio Rev. Code, § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village inappropriately recorded \$3,195 of Motor Vehicle License Tax revenue in the Permissive Tax Fund. Given the source of the revenue, this should have been recorded in the Street Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement. Additional adjustments were made in smaller relative amounts for additional reasons.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**Village of Cygnet
Wood County
P.O. Box 190
Cygnet, Ohio 43413**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material weakness for financial reporting due to material audit adjustments. Finding first reported in fiscal year 2014.	Not corrected and repeated as finding 2018-001 in this report.	The Clerk-Treasurer does not have the specialized experience to prepare the financial statements and notes; however, she will review the errors and make corrections in the future.
2016-002	Material weakness for lack of monitoring of financial reports.	Partially corrected and repeated as finding 2018-002 in this report.	The Village was not able to fully implement all the corrections during the audit period, but will continue to work to implement controls to address deficiencies.
2016-003	Material weakness for income tax control deficiencies.	Not corrected and repeated as finding 2018-002 in this report.	The Village was not able to fully implement all the corrections during the audit period, but will continue to work to implement controls to address deficiencies.
2016-004	Noncompliance and material weakness for Ohio Rev. Code § 5727.82(A)(3) for posting of kilowatt hour taxes to the wrong fund.	Not corrected and repeated as finding 2018-003 in this report.	The Clerk-Treasurer does not have the specialized experience to prepare the financial statements and notes; however, she will review the errors and make corrections in the future.

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF CYGNET

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2019**