

VILLAGE OF CYGNET
WOOD COUNTY
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

Village Council
Village of Cygnet
P. O. Box 190
Cygnet, Ohio 43413-0190

We have reviewed the *Independent Auditor's Report* of the Village of Cygnet, Wood County, prepared by LublinSussman Group LLP, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cygnet is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 15, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Cygnet
P.O. Box 190
Cygnet, OH 43413-0190

We have audited the accompanying statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental fund types and proprietary fund types of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds presented in the accompanying financial statements, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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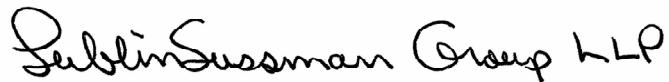
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cashflows, where applicable for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cygnet, Wood County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Sublin Sussman Group LLP

September 25, 2009
Toledo, Ohio

VILLAGE OF CYGNET
WOOD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memo. Only)</u>
Cash Receipts:			
Property and Local Taxes	\$ 21,003	\$ 2,197	\$ 23,200
Municipal Income Tax	89,753	0	89,753
Intergovernmental Receipts	27,785	26,425	54,210
Charges for Services	6,729	0	6,729
Fines, Licenses, and Permits	1,507	0	1,507
Earnings on Investments	18,198	1,880	20,078
Miscellaneous	<u>6,345</u>	<u>0</u>	<u>6,345</u>
Total Cash Receipts	<u>171,320</u>	<u>30,502</u>	<u>201,822</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	12,163	0	12,163
Leisure Time Activities	16,097	0	16,097
Transportation	0	43,388	43,388
General Government	147,249	0	147,249
Community Environment	<u>540</u>	<u>0</u>	<u>540</u>
Total Cash Disbursements	<u>176,049</u>	<u>43,388</u>	<u>219,437</u>
Total Receipts Under Disbursements	<u>(4,729)</u>	<u>(12,886)</u>	<u>(17,615)</u>
Other Financing Receipts (Disbursements):			
Other Financing Sources	210	0	210
Transfers-Out	<u>(20,000)</u>	<u>0</u>	<u>(20,000)</u>
Total Other Financing Receipts (Disbursements)	<u>(19,790)</u>	<u>0</u>	<u>(19,790)</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(24,519)	(12,886)	(37,405)
Fund Cash Balances, January 1	<u>230,675</u>	<u>129,342</u>	<u>360,017</u>
Fund Cash Balances, December 31	\$ <u>206,156</u>	\$ <u>116,456</u>	\$ <u>322,612</u>
Reserves for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See Notes to Financial Statements

VILLAGE OF CYGNET
WOOD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ <u>512,457</u>
Total Operating Cash Receipts	<u>512,457</u>
Operating Cash Disbursements:	
Personal Services	30,725
Fringe Benefits	8,585
Contractual Services	252,853
Supplies and Materials	63,963
Other Financing Sources	<u>15,794</u>
Total Operating Cash Disbursements	<u>371,920</u>
Operating Income	<u>140,537</u>
Non-Operating Cash Receipts:	
Proceeds of Notes	<u>350,000</u>
Total Non-Operating Cash Receipts	<u>350,000</u>
Non-Operating Cash Disbursements:	
Capital Outlay	5,485
Redemption of Principal	380,000
Interest and Other Fiscal Charges	<u>97,871</u>
Total Non-Operating Cash Disbursements	<u>483,356</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	7,181
Transfers-In	133,850
Transfers-Out	<u>(113,850)</u>
Net Receipts Over Disbursements	27,181
Fund Cash Balances, January 1	<u>642,381</u>
Fund Cash Balances, December 31	\$ <u>669,562</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>

See Notes to Financial Statements

VILLAGE OF CYGNET
WOOD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memo. Only)</u>
Cash Receipts:			
Property and Local Taxes	\$ 14,358	\$ 2,585	\$ 16,943
Municipal Income Tax	88,998	0	88,998
Intergovernmental Receipts	39,447	26,979	66,426
Charges for Services	7,651	0	7,651
Fines, Licenses, and Permits	1,580	0	1,580
Earnings on Investments	52,294	5,256	57,550
Miscellaneous	<u>17,188</u>	<u>0</u>	<u>17,188</u>
Total Cash Receipts	<u>221,516</u>	<u>34,820</u>	<u>256,336</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	17,853	0	17,853
Leisure Time Activities	15,053	0	15,053
Basic Utility Services	8,625	0	8,625
Transportation	0	17,431	17,431
General Government	167,670	0	167,670
Community Environment	<u>693</u>	<u>0</u>	<u>693</u>
Total Cash Disbursements	<u>209,894</u>	<u>17,431</u>	<u>227,325</u>
Total Receipts Over Disbursements	<u>11,622</u>	<u>17,389</u>	<u>29,011</u>
Other Financing Receipts:			
Other Financing Sources	<u>6,730</u>	<u>0</u>	<u>6,730</u>
Total Other Financing Receipts	<u>6,730</u>	<u>0</u>	<u>6,730</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	18,352	17,389	35,741
Fund Cash Balances, January 1	<u>212,323</u>	<u>111,953</u>	<u>324,276</u>
Fund Cash Balances, December 31	<u>\$ 230,675</u>	<u>\$ 129,342</u>	<u>\$ 360,017</u>
Reserves for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See Notes to Financial Statements

VILLAGE OF CYGNET
WOOD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 515,988
Total Operating Cash Receipts	<u>515,988</u>
Operating Cash Disbursements:	
Personal Services	29,025
Fringe Benefits	6,353
Contractual Services	274,901
Supplies and Materials	111,370
Other Financing Sources	<u>12,946</u>
Total Operating Cash Disbursements	<u>434,595</u>
Operating Income	<u>81,393</u>
Non-Operating Cash Receipts:	
Proceeds of Notes	400,000
Earnings on Investments	<u>1,285</u>
Total Non-Operating Cash Receipts	<u>401,285</u>
Non-Operating Cash Disbursements:	
Capital Outlay	88,635
Redemption of Principal	429,000
Interest and Other Fiscal Charges	<u>84,003</u>
Total Non-Operating Cash Disbursements	<u>601,638</u>
Excess of Receipts Under Disbursements Before Interfund Transfers	(118,960)
Transfers-In	142,284
Transfers-Out	<u>(142,284)</u>
Net Receipts Under Disbursements	(118,960)
Fund Cash Balances, January 1	<u>761,341</u>
Fund Cash Balances, December 31	\$ <u>642,381</u>
Reserve for Encumbrances, December 31	\$ <u>0</u>

See Notes to Financial Statements

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ORGANIZATION

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cygnet, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water, sewer and electric utilities, trash pick-up and park operations (leisure time activities). The Village contracts with the Wood County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING BASIS

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

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.

The Village values overnight repurchase agreements at cost.

FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

- a. General Fund
The General Fund reports all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds
These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

b. Special Revenue Funds (Continued)

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

c. 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

BUDGETARY PROCESS

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

a. 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

b. 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 also approve estimated resources.

Contrary to Ohio law, during 2008 and 2007 an amended certificate of estimated resources was not sent to the County Budget Commission for approval to appropriate and expend excess revenue received.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (CONTINUED)

c. 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 2008 and 2007 budgetary activity appears in Note 3.

PROPERTY, PLANT, AND EQUIPMENT

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.

(2) EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Cash on Hand	\$ 50	\$ 50
Demand Deposits	<u>42,124</u>	<u>7,348</u>
Total Deposits	<u>42,174</u>	<u>7,398</u>
Repurchase Agreements	<u>950,000</u>	<u>995,000</u>
Total Investments	<u>950,000</u>	<u>995,000</u>
Total Deposits and Investments	<u>\$ 992,174</u>	<u>\$ 1,002,398</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(3) BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2008 is as follows:

2008 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 130,850	\$ 171,530	\$ 40,680
Special Revenue	33,000	30,502	(2,498)
Enterprise	<u>582,500</u>	<u>996,307</u>	<u>413,807</u>
Total	<u>\$ 746,350</u>	<u>\$ 1,198,339</u>	<u>\$ 451,989</u>

2008 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 250,500	\$ 196,049	\$ 54,451
Special Revenue	76,000	43,388	32,612
Enterprise	<u>805,000</u>	<u>969,126</u>	<u>(164,126)</u>
Total	<u>\$ 1,131,500</u>	<u>\$ 1,208,563</u>	<u>\$ (77,063)</u>

Budgetary activity for the year ended December 31, 2007 is as follows:

2007 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 211,616	\$ 228,246	\$ 16,630
Special Revenue	30,000	34,820	4,820
Enterprise	<u>551,500</u>	<u>1,059,557</u>	<u>508,057</u>
Total	<u>\$ 793,116</u>	<u>\$ 1,322,623</u>	<u>\$ 529,507</u>

2007 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 261,550	\$ 209,894	\$ 51,656
Special Revenue	30,800	17,431	13,369
Enterprise	<u>933,995</u>	<u>1,178,517</u>	<u>(244,522)</u>
Total	<u>\$ 1,226,345</u>	<u>\$ 1,405,842</u>	<u>\$ (179,497)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in one Enterprise fund by \$209,544 and \$302,647 for the years ended December 31, 2008 and 2007, respectively. Also, contrary to Ohio law, one Enterprise fund had appropriations in excess of total estimated resources by \$560 and \$42,592 for the years ended December 31, 2008 and 2007, respectively.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(4) PROPERTY TAX

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

(5) LOCAL INCOME TAX

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.

(6) DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA - Rural Development Loan 1996	\$ 976,000	5.125%
USDA - Rural Development Loan 2003	692,000	4.50%
AMP-Ohio Note 2007	<u>350,000</u>	5.0%
Total	<u>\$ 2,018,000</u>	

**VILLAGE OF CYGNET
WOOD COUNTY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(6) DEBT (CONTINUED)

The 1996 loan relates to a sewer project the Ohio Environmental Protection Agency mandated. The Village was required to issue Mortgage Sanitary Sewer Revenue Bonds in the amounts of \$1,017,000 and \$85,000 as collateral for the loan. The Village will repay the loan in annual installments based on the payments stated for the Revenue Bonds, including interest, over 38 years. The Village has agreed to set sewer rates sufficient to cover the loan requirements.

The 2003 loan relates to a water project the Ohio Environmental Protection Agency mandated. The Village was required to issue Mortgage Sanitary Sewer Revenue Bonds in the amount of \$760,000 as collateral for the loan. The Village will repay the loan in annual installments based on the payments stated for the Revenue Bonds, including interest, over 30 years. The Village has agreed to set water rates sufficient to cover the loan requirements.

As required by the loan agreements, the Village has established and is funding a water reserve and sewer reserve fund. The balances as of December 31, 2008 in the funds were \$53,463 and \$76,600, respectively. The balances as of December 31, 2007 in the funds were \$53,463 and \$70,000, respectively.

The AMP-Ohio note relates to a Bond Anticipation Note issued by AMP-Ohio on behalf of the Village for improvements to its electric system. The note is collateralized by electric receipts.

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

<u>Year Ending December 31</u>	<u>USDA Rural Development Loan 1996</u>	<u>USDA Rural Development Loan 2003</u>	<u>AMP-Ohio Note</u>
2009	\$ 66,020	\$ 43,067	\$ 350,000
2010	66,200	43,459	0
2011	66,329	43,811	0
2012	66,406	44,123	0
2013	67,433	43,394	0
2014-2018	332,455	220,223	0
2019-2023	332,296	222,935	0
2024-2028	331,554	227,735	0
2029-2033	331,229	234,042	0
2034-2038	198,758	0	0
Totals	<u>\$ 1,858,680</u>	<u>\$ 1,122,789</u>	<u>\$ 350,000</u>

(7) RETIREMENT SYSTEMS

The Village's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(7) RETIREMENT SYSTEMS (CONTINUED)

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 10% and 9.5% of their wages in 2008 and 2007, respectively. The Village has contributed an amount equal to 14% and 13.85% of the participant's gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

Pension expense amounted to \$13,452 and \$13,115 for 2008 and 2007, respectively.

(8) RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsured these coverages 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which may vary from member to member.

The Plan's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Members' Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,902</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

(9) NONCOMPLIANCE

Contrary to Ohio Revised Code Sections 5705.14 & .16, transfers in and out within the Enterprise fund were not being made by resolution of the Village Council passed with the affirmative vote of two thirds of members. Transfers were being approved by having one member of the Village council review and sign the monthly transfer summary report throughout the audit period.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Cygnet
Wood County
P.O. Box 190
Cygnet, OH 43413-0190

We have audited the accompanying combined financial statements of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 25, 2009 wherein we noted that the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses identified as findings 2008-001 and 2008-002 to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 2008-001 to be a material weakness.

We noted certain matters that we reported to the Village's management in a separate letter dated September 25, 2009.

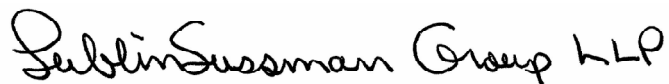
Compliance and Other Matters

As part of obtaining reasonable assurance about 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2008-003 through 2008-006.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated September 25, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dublin Sussman Group LLP". The signature is written in a cursive, flowing style.

September 25, 2009
Toledo, Ohio

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2008-001

Material Weakness - Preparation of Financial Statements Including Footnote Disclosure and Detection of Material Misstatements

An adequately designed internal control structure includes controls over financial statements including required footnote disclosures under the method of accounting used. The ability of an organization to prepare their financial statements and provide all the necessary disclosures requires specialized professional accounting knowledge which would include the ability to recognize the need for and completeness of financial statement disclosures. During the audit, significant journal entries were proposed to the Village in order to comply with the basis of accounting prescribed by the State Auditor of Ohio. The Village does not employ an individual with this professional accounting knowledge which results in a deficiency in the design of the internal control system.

Officials' Response: The Village does not employ an individual with the specialized experience to prepare financial statements with footnote disclosures and to detect material misstatements.

FINDING NUMBER 2008-002

Significant Deficiency - Estimated Resources Not Properly Recorded in Accounting System

During the audit, it was discovered that the certificates of estimated resources for 2007 and 2008 were not reflected accurately in the Village's accounting system.

We recommend that the figures in the accounting system should be compared to the approved figures from the certificates of estimated resources to prevent possible overspending.

Officials' Response: In the future, the Village will properly input the approved figures from the certificates of estimated resources.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2008-003

Noncompliance Citation - Appropriations Limited by Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

The following funds had appropriations in excess of estimated resources for the year ended December 31, 2008:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Water Operating	\$ 93,500	\$ 92,940	\$ 560

The following funds had appropriations in excess of estimated resources for the year ended December 31, 2007:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Water Operating	\$139,800	\$ 97,208	\$ 42,592

We recommend the Village compare appropriations to estimated resources on a regular basis to avoid this situation and to prevent possible overspending within the funds.

Officials' Response: The Village will compare estimated resources to appropriations throughout the year to avoid this situation.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2008-004

Noncompliance Citation - Transfer of Funds

Ohio Revised Code Section 5705.14 provides a list of scenarios where interfund transfers are permissible. With the exception of transfers made from the general fund to other funds of the subdivision, all transfers authorized by this section must be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

During the audit, a majority of the interfund transfers were not approved by a resolution passed by Council. We also noted transfers approved in the minutes do not appear to be recorded in the accounting system.

We recommend that the Village consult with its legal counsel and this Ohio Revised Code provision to ensure that all permitted transfers are authorized as required by statute, and are properly recorded in the accounting system.

Officials' Response: In the future, the Village will take action to properly pass the transfers by resolution and input this information into the UAN accounting system.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2008-005

Noncompliance Citation - Appropriation of Monies

Ohio Revised Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2008:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Electric Operating	\$451,000	\$660,544	\$209,544

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2007:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Electric Operating	\$544,000	\$846,647	\$302,647

We recommend the Village review and amend appropriations whenever necessary to help prevent expenditures from exceeding appropriations, provided sufficient resources are available.

Officials' Response: The Village will ensure that all expenditures of monies will be lawfully appropriated.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2008-006

Noncompliance Citation - Amended Certificates of Available Revenue

Ohio Revised Code Section 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that fiscal officer's certification is reasonable, the commission shall certify an amended certificate reflecting the deficiency or excess.

Ohio Revised Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

It was noted during the audit that some funds had appropriations in excess of estimated resources (see Finding 2008-003 for detail).

We would recommend that estimated resources be modified as outlined above to prevent the possibility of overspending by the Village.

Officials' Response: The Village is aware of this requirement and will ensure compliance with the Ohio Revised Code section described above.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Significant Deficiency - Employee Pay Rate Records Not Maintained	Yes	
2006-002	Material Weakness - Preparation of Financial Statements Including Footnote Disclosure	No	Repeated as Finding 2008-001
2006-003	Material Weakness - Recording of Grant Proceeds	Yes	
2006-004	Noncompliance Citation - Appropriations Limited by Estimated Resources	No	Repeated as Finding 2008-003
2006-005	Noncompliance Citation - Transfer of Funds	No	Repeated as Finding 2008-004
2006-006	Noncompliance Citation - Appropriation of Monies	No	Repeated as Finding 2008-005
2006-007	Noncompliance Citation - Amended Certificates of Available Revenue	No	Repeated as Finding 2008-006



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 5, 2009**