

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Sycamore
P. O. Box 279
Sycamore, Ohio 44882

We have reviewed the *Independent Accountants' Report* of the Village of Sycamore, Wyandot County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Sycamore is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 19, 2008

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VILLAGE OF SYCAMORE
WYANDOT COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Sycamore
Wyandot County
P.O. Box 279
Sycamore, Ohio 44882

To the Village Council:

We have audited the accompanying financial statements of the Village of Sycamore, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments 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.

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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sycamore, Wyandot County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 August 21, 2007, 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. While we do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
August 21, 2007

VILLAGE OF SYCAMORE
WYANDOT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
CASH RECEIPTS:				
Property Tax	\$46,390	\$25,807		\$72,197
Municipal Income Tax		153,738		153,738
Intergovernmental Receipts	23,616	44,594		68,210
Charges for Services	25,870	103,309		129,179
Fines, Licenses, and Permits	1,062			1,062
Earnings on Investments	17,815	3,567		21,382
Miscellaneous	5,478	5,580		11,058
	<u>120,231</u>	<u>336,595</u>		<u>456,826</u>
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	113,062	57,320		170,382
Public Health Services	1,316	30,564		31,880
Leisure Time Activities	5,702			5,702
Community Environment		17,504		17,504
Transportation		109,534		109,534
General Government	141,040	21,652		162,692
	<u>261,120</u>	<u>236,574</u>		<u>497,694</u>
Total Receipts Over/(Under) Disbursements	<u>(140,889)</u>	<u>100,021</u>		<u>(40,868)</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS				
Transfers-In	84,148	54,496		138,644
Transfers-Out	(29,132)	(111,988)		(141,120)
	<u>55,016</u>	<u>(57,492)</u>		<u>(2,476)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(85,873)	42,529		(43,344)
Fund Cash Balances, January 1	<u>300,167</u>	<u>457,840</u>	<u>35,579</u>	<u>793,586</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$214,294</u>	<u>\$500,369</u>	<u>\$35,579</u>	<u>\$750,242</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF SYCAMORE
WYANDOT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$920,286
Total Operating Cash Receipts	920,286
OPERATING CASH DISBURSEMENTS:	
Personal Services	80,650
Fringe Benefits	39,729
Contractual Services	62,358
Supplies and Materials	144,373
Capital Outlay	532,192
Total Operating Cash Disbursements	859,302
Operating Income/(Loss)	60,984
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service	112,899
Total Non-Operating Cash Disbursements	112,899
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	(51,915)
Transfers-In	2,475
Net Cash Receipts Over/Under Cash Disbursements	(49,440)
Fund Cash Balances, January 1	575,104
FUND CASH BALANCES, DECEMBER 31	\$525,664

The notes to the financial statements are an integral part of this statement.

VILLAGE OF SYCAMORE
WYANDOT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
CASH RECEIPTS:				
Property Tax	\$49,857	\$26,913		\$76,770
Municipal Income Tax		157,495		157,495
Intergovernmental Receipts	96,548	60,944		157,492
Charges for Services	3,498	100,474		103,972
Fines, Licenses, and Permits	3,307			3,307
Earnings on Investments	12,562	2,263		14,825
Miscellaneous	28,124	41,048		69,172
	193,896	389,137		583,033
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	103,128	77,069		180,197
Public Health Services	1,043	34,880		35,923
Leisure Time Activities	5,536			5,536
Community Environment		17,984		17,984
Transportation		105,897		105,897
General Government	68,769	20,808		89,577
	178,476	256,638		435,114
Total Cash Disbursements	178,476	256,638		435,114
Total Receipts Over/(Under) Disbursements	15,420	132,499		147,919
OTHER FINANCING RECEIPTS/DISBURSEMENTS				
Transfers-In	90,581	53,855		144,436
Transfers-Out		(182,591)		(182,591)
	90,581	(128,736)		(38,155)
Total Other Financing Receipts/(Disbursements)	90,581	(128,736)		(38,155)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	106,001	3,763		109,764
Fund Cash Balances, January 1	194,166	454,077	35,579	683,822
FUND CASH BALANCES, DECEMBER 31	\$300,167	\$457,840	\$35,579	\$793,586

The notes to the financial statements are an integral part of this statement.

VILLAGE OF SYCAMORE
 WYANDOT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$788,432</u>
Total Operating Cash Receipts	<u>788,432</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	84,397
Fringe Benefits	39,120
Contractual Services	60,555
Supplies and Materials	178,742
Capital Outlay	<u>292,329</u>
Total Operating Cash Disbursements	<u>655,143</u>
Operating Income/(Loss)	<u>133,289</u>
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service	<u>112,899</u>
Total Non-Operating Cash Disbursements	<u>112,899</u>
Excess of Cash Receipts Over Cash Disbursements	
Before Interfund Transfers	20,390
Transfers-In	<u>38,156</u>
Net Receipts Over/Under Disbursements	58,546
Fund Cash Balances, January 1	<u>516,558</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$575,104</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF SYCAMORE
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sycamore, Wyandot County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water and sewer utilities, park operations (leisure time activities), and police, fire and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's Investment pool) is valued at amounts reported by the State Treasurer.

D. 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:

1. General Fund

The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF SYCAMORE
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

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

Fire Fund - This fund receives money from a levy and charges for services to cover the costs of providing fire protection services.

Local Income Tax Fund - This fund receives local income tax revenue which is allocated to the General Fund, the Street Construction Fund, the Storm Sewer Fund, and the Swimming Pool Fund to assist with the expenditures of these funds. The remaining portion of income tax revenue is used to cover the costs to collect this tax.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and loan indebtedness.

4. Capital Projects Fund

This fund is used to account for receipts and expenditures related to the construction of a wastewater treatment plant for the Village.

5. Enterprise Fund

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

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, function or object level of, and appropriations may not exceed estimated resources. The 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.

VILLAGE OF SYCAMORE
 WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

2. 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.

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Deposits	\$934,266	\$1,043,323
Cash on hand	<u>250</u>	<u>250</u>
Total deposits and cash on hand	934,516	1,043,573
 STAR Ohio	 <u>341,389</u>	 <u>325,117</u>
Total deposits and investments	<u>\$1,275,905</u>	<u>\$1,368,690</u>

Deposits: Deposits are (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF SYCAMORE
 WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,112,200	\$ 204,379	(\$907,821)
Special Revenue	383,132	391,091	7,959
Enterprise	982,500	922,761	(59,739)
Total	<u>\$2,477,832</u>	<u>\$1,518,231</u>	<u>(\$959,601)</u>

<u>Fund Type</u>	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,412,367	\$290,252	\$1,122,115
Special Revenue	846,971	348,562	498,409
Capital Projects	35,579		35,579
Enterprise	1,561,604	972,201	589,403
Total	<u>\$3,856,521</u>	<u>\$1,611,015</u>	<u>\$2,245,506</u>

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,149,950	\$284,476	(\$865,474)
Special Revenue	378,500	442,992	64,492
Enterprise	667,000	826,588	159,588
Total	<u>\$2,195,450</u>	<u>\$1,554,056</u>	<u>(\$641,394)</u>

<u>Fund Type</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,344,117	\$178,476	\$1,165,641
Special Revenue	844,711	439,229	405,482
Capital Projects	35,579		35,579
Enterprise	1,180,132	768,041	412,091
Total	<u>\$3,404,539</u>	<u>\$1,385,746</u>	<u>\$2,018,793</u>

Contrary to Ohio Law, appropriations exceeded estimated resources in the Special Revenue Fund type during 2005, and the Enterprise Fund type for 2006.

VILLAGE OF SYCAMORE
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

4. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half 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.

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 quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$73,650	0.00%
Water Plant & Line Loan	82,182	6.00%
Sanitary Sewer Bonds	<u>1,405,085</u>	5.25%
Total	<u>\$1,560,917</u>	

The Village entered into an agreement with the Ohio Public Works Commission to borrow \$102,940 for a storm sewer project. They agreed to a repayment schedule of \$2,133 every six months.

The Village obtained a \$100,000 loan from a local financial institution for water plant and line improvement projects. This loan will be repaid in monthly installments of \$645, including interest through 2022.

VILLAGE OF SYCAMORE
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

6. DEBT (Continued)

The Farmers Home Administration Sanitary Sewer bonds relate to the construction of a wastewater treatment plant for the Village. The bonds will be repaid in annual installments of approximately \$100,850, including interest through 2034.

Amortization of the above debt follows:

<u>Year ending December 31</u>	<u>Ohio Public Works Commission</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$4,266		\$4,266
2008	4,266		4,266
2009	4,266		4,266
2010	4,266		4,266
2011	4,266		4,266
2012-2016	21,330		21,330
2017-2021	21,330		21,330
2022-2024	9,660		9,660
Total	<u>\$73,650</u>		<u>\$73,650</u>

<u>Year ending December 31</u>	<u>Commercial Loan - Water Plant</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$3,486	\$4,250	\$7,736
2008	3,836	3,900	7,736
2009	4,236	3,500	7,736
2010	4,636	3,100	7,736
2011	5,036	2,700	7,736
2012-2016	24,203	14,477	38,680
2017-2021	29,403	9,277	38,680
2022	7,346	390	7,736
Total	<u>\$82,182</u>	<u>\$41,594</u>	<u>\$123,776</u>

<u>Year ending December 31</u>	<u>Sanitary Sewer Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$27,394	\$73,503	\$100,897
2008	28,712	72,187	100,899
2009	31,497	69,400	100,897
2010	33,776	67,121	100,897
2011	35,888	65,009	100,897
2012-2016	142,326	362,161	504,487
2017-2021	234,310	270,177	504,487
2022-2066	284,246	220,241	504,487
2027-2031	380,710	123,777	504,487
2032-2034	206,226	93,096	299,322
Total	<u>1,405,085</u>	<u>1,416,672</u>	<u>2,821,757</u>

VILLAGE OF SYCAMORE
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

7. RETIREMENT SYSTEMS

The Village law enforcement officers belong to Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The plans provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

The Village provides health and life insurance and dental and vision coverage to full-time employees through a private carrier.

9. SUBSEQUENT EVENTS

The Village borrowed \$183,388 for improvements to its storm sewers. The note bears interest at 4.66%.

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KNOX & KNOX

Accountants and Consultants

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

Village of Sycamore
Wyandot County
P.O. Box 279
Sycamore, Ohio 44882

To the Village Council:

We have audited the accompanying financial statements of the Village of Sycamore, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 21, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies that might be considered material weaknesses. However, we noted other matters that we reported to the Village in a separate letter dated August 21, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards* .

We did note a certain noncompliance that we reported to the Village's management in a separate letter dated August 21, 2007.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
August 21, 2007

VILLAGE OF SYCAMORE
 WYANDOT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Summary	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-002	Ohio Revised Code § 5705.39, Appropriations exceeded estimated resources.	No	Reissued as Management Letter comment.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SYCAMORE

WYANDOT 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
APRIL 1, 2008**