

**VILLAGE OF CYGNET**  
**WOOD COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**





# Dave Yost • 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, 2013 through December 31, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 6, 2016

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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 financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2014 and 2013.

### 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 Government'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 Government's internal control. Accordingly, we express no 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 1 of the financial statements, the Government 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 Government 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**

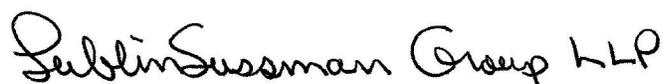
In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or its changes in financial position or cashflows, where applicable 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 combined cash balances of the Village of Cygnet, Wood County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2016, on our consideration of the Government'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 Government's internal control over financial reporting and compliance.



May 9, 2016  
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, 2014

	Governmental Fund Types		
	General	Special Revenue	Totals (Memo- Only)
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 12,853	\$ 2,462	\$ 15,315
Municipal Income Tax	76,970	0	76,970
Intergovernmental Receipts	10,295	24,573	34,868
Charges for Services	10,577	0	10,577
Fines, Licenses, and Permits	515	0	515
Earnings on Investments	285	12	297
Miscellaneous	<u>11,379</u>	<u>0</u>	<u>11,379</u>
Total Cash Receipts	<u>122,874</u>	<u>27,047</u>	<u>149,921</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	13,208	0	13,208
Leisure Time Activities	10,248	0	10,248
Supplies and Materials	53	0	53
Transportation	0	30,807	30,807
General Government	143,456	0	143,456
Community Environment	<u>662</u>	<u>0</u>	<u>662</u>
Total Cash Disbursements	<u>167,627</u>	<u>30,807</u>	<u>198,434</u>
Total Receipts Over (Under) Disbursements	<u>(44,753)</u>	<u>(3,760)</u>	<u>(48,513)</u>
<b>Other Financing Receipts:</b>			
Other Financing Sources	5,187	0	5,187
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(39,566)	(3,760)	(43,326)
Fund Cash Balances, January 1	<u>122,329</u>	<u>87,960</u>	<u>210,289</u>
Fund Cash Balances, December 31:			
Non-spendable	0	0	0
Restricted	0	84,200	84,200
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>82,763</u>	<u>0</u>	<u>82,763</u>
Fund Cash Balances, December 31	<u>\$ 82,763</u>	<u>\$ 84,200</u>	<u>\$ 166,963</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, 2014

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 328,438
<b>Operating Cash Disbursements:</b>	
Personal Services	23,291
Employee Fringe Benefits	6,634
Contractual Services	233,551
Supplies and Materials	24,277
Other	<u>14,109</u>
Total Operating Cash Disbursements	<u>301,862</u>
Operating Income	<u>26,576</u>
<b>Non-Operating Cash Receipts:</b>	
Total Non-Operating Cash Receipts	<u>0</u>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	0
Redemption of Principal	14,572
Interest and Other Fiscal Charges	<u>3,231</u>
Total Non-Operating Cash Disbursements	<u>17,803</u>
Excess of Receipts Under Disbursements Before Interfund Transfers	8,773
Transfers-In	0
Transfers-Out	<u>0</u>
Net Change in Fund Cash Balances	8,773
Fund Cash Balances, January 1	<u>419,428</u>
Fund Cash Balances, December 31	<u>\$ 428,201</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, 2013

	Governmental Fund Types		
	General	Special Revenue	Totals (Memo. Only)
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 13,688	\$ 2,188	\$ 15,876
Municipal Income Tax	84,366	0	84,366
Intergovernmental Receipts	10,697	26,671	37,368
Charges for Services	4,815	0	4,815
Fines, Licenses, and Permits	856	0	856
Earnings on Investments	540	60	600
Miscellaneous	<u>6,150</u>	<u>0</u>	<u>6,150</u>
Total Cash Receipts	<u>121,112</u>	<u>28,919</u>	<u>150,031</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	17,686	0	17,686
Leisure Time Activities	12,195	0	12,195
Supplies and Materials	41	0	41
Redemption of Principal	2,344	0	2,344
Interest and Other Fiscal Charges	623	0	623
Transportation	0	24,428	24,428
General Government	139,599	0	139,599
Community Environment	<u>862</u>	<u>0</u>	<u>862</u>
Total Cash Disbursements	<u>173,350</u>	<u>24,428</u>	<u>197,778</u>
Total Receipts Over (Under) Disbursements	<u>(52,238)</u>	<u>4,491</u>	<u>(47,747)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Other Financing Sources	<u>2,883</u>	<u>0</u>	<u>2,883</u>
Total Other Financing Receipts	<u>2,883</u>	<u>0</u>	<u>2,883</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(49,355)	4,491	(44,864)
Fund Cash Balances, January 1	<u>171,684</u>	<u>83,469</u>	<u>255,153</u>
Fund Cash Balances, December 31:			
Non-spendable	0	0	0
Restricted	0	87,960	87,960
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>122,329</u>	<u>0</u>	<u>122,329</u>
Fund Cash Balances, December 31	<u>\$ 122,329</u>	<u>\$ 87,960</u>	<u>\$ 210,289</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, 2013

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 319,518
<b>Operating Cash Disbursements:</b>	
Personal Services	23,737
Employee Fringe Benefits	5,365
Contractual Services	220,752
Supplies and Materials	20,088
Other	<u>3,006</u>
Total Operating Cash Disbursements	<u>272,948</u>
Operating Income	<u>46,570</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Notes	0
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	0
Redemption of Principal	11,741
Interest and Other Fiscal Charges	<u>3,095</u>
Total Non-Operating Cash Disbursements	<u>14,836</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	31,734
Transfers-In	0
Transfers-Out	<u>0</u>
Net Change in Fund Cash Balances	31,734
Fund Cash Balances, January 1	<u>387,694</u>
Fund Cash Balances, December 31	<u>\$ 419,428</u>

See Notes to Financial Statements

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**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:

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

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND ACCOUNTING (CONTINUED)

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 good or services through user charges. The Village had the following significant Enterprise Funds:

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 cash as of January 1. The County Budget Commission must also approve estimated resources.

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 2014 and 2013 budgetary activity appears in Note 3.

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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:

1. Non-Spendable

The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

2. 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.

3. Committed

Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

4. 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.

5. Unassigned

Unassigned fund balance is the residual classification of 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.

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**(2) EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Village maintains a cash 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>2014</u>	<u>2013</u>
Cash on Hand	\$ 50	\$ 50
Demand Deposits	<u>50,114</u>	<u>44,667</u>
Total Deposits	<u>50,164</u>	<u>44,717</u>
Repurchase Agreements	<u>545,000</u>	<u>585,000</u>
Total Investments	<u>545,000</u>	<u>585,000</u>
Total Deposits and Investments	<u>\$ 595,164</u>	<u>\$ 629,717</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**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, 2014 AND 2013

**(3) BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2014 is as follows:

**2014 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 186,314	\$ 128,061	\$ (58,253)
Special Revenue	11,000	27,047	16,047
Enterprise	<u>224,000</u>	<u>328,438</u>	<u>104,438</u>
Total	<u>\$ 421,314</u>	<u>\$ 483,546</u>	<u>\$ 62,232</u>

**2014 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 188,129	\$ 167,627	\$ 20,502
Special Revenue	64,274	30,807	33,467
Enterprise	<u>524,718</u>	<u>319,665</u>	<u>205,053</u>
Total	<u>\$ 777,121</u>	<u>\$ 518,099</u>	<u>\$ 259,022</u>

Budgetary activity for the year ended December 31, 2013 is as follows:

**2013 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 107,318	\$ 123,995	\$ 16,677
Special Revenue	11,500	28,919	17,419
Enterprise	<u>324,275</u>	<u>319,518</u>	<u>(4,757)</u>
Total	<u>\$ 443,093</u>	<u>\$ 472,432</u>	<u>\$ 29,339</u>

**2013 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 215,450	\$ 173,350	\$ 42,100
Special Revenue	56,200	24,428	31,772
Enterprise	<u>496,700</u>	<u>287,784</u>	<u>208,916</u>
Total	<u>\$ 768,350</u>	<u>\$ 485,562</u>	<u>\$ 282,788</u>

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**(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 semi-annually, 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, 2014 and 2013 was as follows:

	Beginning Balance <u>01/01/14</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/14</u>	Amounts Due Within <u>One Year</u>
Corn City State Bank Loan	\$ <u>101,665</u>	\$ <u>0</u>	\$ <u>14,572</u>	\$ <u>87,093</u>	\$ <u>15,075</u>
Total	\$ <u>101,665</u>	\$ <u>0</u>	\$ <u>14,572</u>	\$ <u>87,093</u>	\$ <u>15,075</u>
	Beginning Balance <u>01/01/13</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/13</u>	Amounts Due Within <u>One Year</u>
Corn City State Bank Loan	\$ <u>115,750</u>	\$ <u>0</u>	\$ <u>14,085</u>	\$ <u>101,665</u>	\$ <u>14,572</u>
Total	\$ <u>115,750</u>	\$ <u>0</u>	\$ <u>14,085</u>	\$ <u>101,665</u>	\$ <u>14,572</u>

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**(6) DEBT (CONTINUED)**

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 installment 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 balance as of December 31, 2014 in the electric operating fund is \$341,108. The debt shall be repayable solely from the revenues of the electric system.

Amortization of the Corn City Loan, including interest, is scheduled as follows:

<u>Year Ending December 31</u>	
2015	\$ 17,803
2016	17,803
2017	17,803
2018	17,803
2019	17,803
2020	<u>6,375</u>
Totals	<u>\$ 95,390</u>

**(7) CONTINGENCIES**

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, and made payments of \$16,514 leaving a net credit balance of net impaired cost estimate of \$(3,873). Any additional costs or amounts received related to the project will impact the Village's credit balance.

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**(8) 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 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. Members of OPERS contributed 10% of their annual covered salary for 2014 and 2013. The Village has contributed an amount equal to 14% of the participant's gross salaries for 2014 and 2013. The Village has paid all contributions required through December 31, 2014.

Pension expense amounted to \$11,432 and \$12,209 for 2014 and 2013, respectively.

**(9) 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 coverage 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>2014</u>	<u>2013</u>
Assets	\$14,830,185	\$13,774,304
Liabilities	<u>8,942,504</u>	<u>7,968,395</u>
Members' Equity	<u>\$ 5,887,681</u>	<u>\$ 5,805,909</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**(10) SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through May 9, 2016, the date the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosure.

**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, 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, the financial statements of Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2016, in which we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Cygnet, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Cygnet, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Cygnet, Ohio's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2014-001, described in the accompanying schedule of findings to be a material weakness.

## **Internal Control Over Financial Reporting (Continued)**

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-003 through 2014-004, described in the accompany schedule of findings to be significant deficiencies.

## **Compliance and Other Matters**

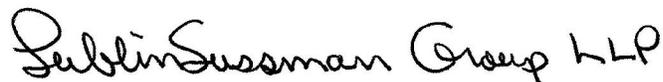
As part of reasonably assuring whether the Village of Cygnet's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could directly and materially affect the determination 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 an instance of non-compliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2014-002.

## **Entity's Responses to Findings**

The Village of Cygnet, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village of Cygnet, Ohio's response and, accordingly, we express no opinion on it.

## **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 Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



May 9, 2016  
Toledo, Ohio

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013

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

**FINDING NUMBER 2014-001**

**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.

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF FINDINGS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

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

**FINDING NUMBER 2014-002**

**Non-Compliance Citation**

**Ohio Rev. Code, Section 5705.41(d)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(d)(1) and 5705.41(d)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorized the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This exception does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

**2. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance by the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 3% of expenditures tested and there was no evidence that the Village followed the aforementioned exceptions.

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF FINDINGS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

**3. Super Blanket Certificate (Continued)** - Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that the purchase commitments received prior approval. To improve the controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used, with appropriate legislative approval following within thirty days.

We recommend the Fiscal Officer certify all purchases to which section 5705.41(d) applies. The most convenient certification method is to use purchase orders that include certification language 5705.41(d) which is required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(d) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Also, the Village should establish, by formal resolution or ordinance, the desired maximum amount of blanket certificates.

**Officials' Response:** The Village will attempt to ensure the proper certification is obtained in the future.

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF FINDINGS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

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

**FINDING NUMBER 2014-003**

**Significant Deficiency - Classification of Corn City Loan Payments**

Adequately designed internal controls over cash disbursements ensure both proper approval and classification of expenses to the correct account and fund. During our audit procedures over the note payable to Corn City State Bank it was discovered that the Village had incorrectly recorded two of the scheduled loan payments from the General Fund. As discussed in Note 6 of the financial statements, the loan is to be repaid solely from the revenues of the electric system, which is included in the Enterprise Fund. While the misstatement was not material, recurring misstatements of this kind can cause the financial statements to be materially misstated in the aggregate.

**Officials' Response:** The Village will ensure all loan payments are properly classified to the Enterprise Fund.

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF FINDINGS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-004

Significant Deficiency - Refund of Tax Overpayments

During the audit of income tax revenue, it was noted that the Village owed two taxpayers refunds on the individual tax returns filed. The taxpayers incorrectly reported and paid tax on retirement income. The Village discovered the errors while performing their internal review of the returns; however refunds had not been issued.

We recommend the Village review tax returns and issue the refunds immediately to each of the taxpayers.

Officials' Response: The Village tax administrator has submitted a request for refund to the individuals.

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
N/A	N/A	N/A	N/A

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# Dave Yost • 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  
SEPTEMBER 20, 2016