



Dave Yost • Auditor of State

VILLAGE OF CYGNET
WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cygnet, Wood County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cygnet, Wood County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2018

Village of Cygnet, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$28,353	\$2,853	\$31,206
Municipal Income Tax	79,940		79,940
Intergovernmental	13,160	26,205	39,365
Charges for Services	9,936		9,936
Fines, Licenses and Permits	480		480
Earnings on Investments	279		279
Miscellaneous	5,293		5,293
<i>Total Cash Receipts</i>	<u>137,441</u>	<u>29,058</u>	<u>166,499</u>
Cash Disbursements			
Current:			
Security of Persons and Property	11,584		11,584
Leisure Time Activities	6,927		6,927
Community Environment	196		196
Transportation		17,509	17,509
General Government	117,527		117,527
<i>Total Cash Disbursements</i>	<u>136,234</u>	<u>17,509</u>	<u>153,743</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,207</u>	<u>11,549</u>	<u>12,756</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(15,387)		(15,387)
Other Financing Sources	1,159		1,159
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,228)</u>	<u>0</u>	<u>(14,228)</u>
<i>Net Change in Fund Cash Balances</i>	(13,021)	11,549	(1,472)
<i>Fund Cash Balances, January 1</i>	<u>34,733</u>	<u>96,435</u>	<u>131,168</u>
Fund Cash Balances, December 31			
Restricted		107,984	107,984
Assigned	6,074		6,074
Unassigned	15,638		15,638
<i>Fund Cash Balances, December 31</i>	<u>\$21,712</u>	<u>\$107,984</u>	<u>\$129,696</u>

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$332,507
Operating Cash Disbursements	
Personal Services	45,448
Employee Fringe Benefits	7,439
Contractual Services	262,216
Supplies and Materials	20,054
Other	2,385
<i>Total Operating Cash Disbursements</i>	337,542
<i>Operating Loss</i>	(5,035)
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	265
Principal Retirement	(15,713)
Interest and Other Fiscal Charges	(2,089)
<i>Total Non-Operating Receipts (Disbursements)</i>	(17,537)
<i>Loss before Transfers</i>	(22,572)
Transfers In	15,387
<i>Net Change in Fund Cash Balances</i>	(7,185)
<i>Fund Cash Balance, January 1</i>	453,490
<i>Fund Cash Balance, December 31</i>	\$446,305

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Cygnet (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services including street maintenance, water, sewer and electric utilities and park operations. 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 participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values overnight repurchase agreements at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,457	\$138,600	(\$99,857)
Special Revenue	4,275	29,058	24,783
Enterprise	200,286	348,159	147,873
Total	\$443,018	\$515,817	\$72,799

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,565	\$151,621	\$35,944
Special Revenue	61,367	17,509	43,858
Enterprise	477,875	355,344	122,531
Total	\$726,807	\$524,474	\$202,333

Note 4 – 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 deposits and investments at December 31, 2016 was as follows:

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

	2016
Demand deposits	\$35,951
Cash on hand	50
Total deposits	36,001
Repurchase agreement	540,000
Total deposits and investments	\$576,001

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.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

Note 6 – Income Taxes

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

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

Note 7 – Risk Management

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	2016
Assets	\$ 14,765,712
Liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

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

Note 8 – Retirement Systems

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System must have Social Security withheld. This plan provides retirement benefits, including survivor and disability benefits to participants. In 2016, the Council members and volunteer fire department members had Social Security withheld. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Corn City State Bank Loan	\$51,036	3.40%

The Corn City Bank loan was obtained to retire the AMP-Ohio loan outstanding balance of \$150,000. The Village began to repay the loan in monthly installments beginning June 17, 2010 of not less than \$1,484 each, including interest, for 119 months thereafter. The Village must retain a reserve of 50% of outstanding principal in the Electric fund. The fund balance as of December 31, 2016 in the Electric Operating fund is \$316,743. The debt shall be repayable solely from the revenues of the electric system.

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

	Corn City State Bank Loan
Year ending December 31:	
2017	17,803
2018	17,803
2019	17,803
2020	6,375
Total	\$59,784

Note 11 - American Municipal Power Generating Station (AMPGS)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 500 kilowatts of a total 771,281 kilowatts, giving the Village a 0.06 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, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 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 \$85,329. The Village received a credit of \$56,955 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$22,612 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$25,508 leaving a net credit balance of impaired cost estimate of \$19,746. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable. Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$664, and interest credited to the Village has been \$282, resulting in a net credit balance at December 31, 2015 of \$19,364.

Village of Cygnet, Ohio
Wood County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,051	\$2,734	\$29,785
Municipal Income Tax	72,092		72,092
Intergovernmental	17,114	25,091	42,205
Charges for Services	9,692		9,692
Fines, Licenses and Permits	650		650
Earnings on Investments	287		287
Miscellaneous	6,681		6,681
<i>Total Cash Receipts</i>	<u>133,567</u>	<u>27,825</u>	<u>161,392</u>
Cash Disbursements			
Current:			
Security of Persons and Property	16,119		16,119
Leisure Time Activities	15,267		15,267
Community Environment	342		342
Transportation		15,590	15,590
General Government	135,900		135,900
<i>Total Cash Disbursements</i>	<u>167,628</u>	<u>15,590</u>	<u>183,218</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,061)</u>	<u>12,235</u>	<u>(21,826)</u>
Other Financing Disbursements			
Transfers Out	(13,969)		(13,969)
<i>Total Other Financing Disbursements</i>	<u>(13,969)</u>	<u>0</u>	<u>(13,969)</u>
<i>Net Change in Fund Cash Balances</i>	(48,030)	12,235	(35,795)
<i>Fund Cash Balances, January 1</i>	<u>82,763</u>	<u>84,200</u>	<u>166,963</u>
Fund Cash Balances, December 31			
Restricted		96,435	96,435
Unassigned	34,733		34,733
<i>Fund Cash Balances, December 31</i>	<u>\$34,733</u>	<u>\$96,435</u>	<u>\$131,168</u>

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2015

	Enterprise
Operating Cash Receipts	
Charges for Services	\$317,731
Operating Cash Disbursements	
Personal Services	28,670
Employee Fringe Benefits	5,039
Contractual Services	228,839
Supplies and Materials	21,969
Other	4,351
<i>Total Operating Cash Disbursements</i>	288,868
<i>Operating Income</i>	28,863
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	259
Principal Retirement	(15,182)
Interest and Other Fiscal Charges	(2,620)
<i>Total Non-Operating Receipts (Disbursements)</i>	(17,543)
<i>Income before Transfers</i>	11,320
Transfers In	13,969
<i>Net Change in Fund Cash Balances</i>	25,289
<i>Fund Cash Balance, January 1</i>	428,201
<i>Fund Cash Balance, December 31</i>	\$453,490

See accompanying notes to the basic financial statements

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The Village of Cygnet (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services including street maintenance, water, sewer and electric utilities and park operations. 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 participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values overnight repurchase agreements at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$186,314	\$133,567	(\$52,747)
Special Revenue	11,000	27,825	16,825
Enterprise	224,000	331,959	107,959
Total	\$421,314	\$493,351	\$72,037

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,150	\$183,012	\$8,138
Special Revenue	61,200	15,757	45,443
Enterprise	476,700	307,845	168,855
Total	\$729,050	\$506,614	\$222,436

Note 4 – 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 deposits and investments at December 31, 2015 was as follows:

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

	2015
Demand deposits	\$49,608
Cash on hand	50
Total deposits	49,658
Repurchase agreement	535,000
Total deposits and investments	\$584,658

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.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

Note 6 – Income Taxes

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

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

Note 7 – Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

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

Note 8 – Retirement Systems

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System must have Social Security withheld. This plan provides retirement benefits, including survivor and disability benefits to participants. In 2015, the Council members and volunteer fire department members had Social Security withheld. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Village of Cygnet, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Corn City State Bank Loan	\$66,750	3.40%

The Corn City Bank loan was obtained to retire the AMP-Ohio loan outstanding balance of \$150,000. The Village began to repay the loan in monthly installments beginning June 17, 2010 of not less than \$1,484 each, including interest, for 119 months thereafter. The Village must retain a reserve of 50% of outstanding principal in the Electric fund. The fund balance as of December 31, 2015 in the Electric Operating fund is \$328,581. The debt shall be repayable solely from the revenues of the electric system.

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

	Corn City State Bank Loan
Year ending December 31:	
2016	\$17,803
2017	17,803
2018	17,803
2019	17,803
2020	6,375
Total	\$77,587

Note 11 - American Municipal Power Generating Station (AMPGS)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 100 kilowatts of a total 771,281 kilowatts, giving the Village a 0.01 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 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 impaired cost estimate of \$3,873. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable. The net credit balance of impaired cost estimate at December 31, 2014 was \$3,798.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Cygnet, Wood County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 22, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-004

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2018

VILLAGE OF CYGNET
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following adjustments are included in the accompanying fiscal year 2016 and 2015 financial statements:

- An adjustment from the 2011-2012 audit was never posted to the Village's accounting records. This adjustment corrected opening fund balance in the amount of \$14,560 from the Electric Operating Fund (Enterprise Fund) to the General Fund.
- In 2016 and 2015, the Village made loan payments of \$16,319 each year from the Electric Operating Fund (Enterprise Fund). These payments were erroneously classified as Contractual Service Expenditures rather than as Debt Service (principal and interest) Expenditures.
- In 2016 and 2015, fund balances were improperly classified as committed in the Special Revenue Funds instead of restricted in the amounts of \$51,368 and \$37,508, respectively.

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

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

FINDING NUMBER 2016-002

Material Weakness – Monitoring of Financial Reports

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

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

Council does not monitor Village reports to determine the required records were maintained and balanced with the bank. These records would include budget reports, detailed receipt and expenditure ledgers, utility and income tax department reports, reconciliations between general ledger and subsidiary ledgers, utility adjustment reports, and payroll reports on a monthly basis. Insufficient monitoring could result in errors and irregularities or fraud occurring and not being timely detected.

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

In addition, for those cycles for which segregation of duties is not possible, Council should implement additional monitoring controls and take an active role in the operations of the Village, including, review of the following, at a minimum, to effectively monitor Village finances:

Budget vs Actual Reports for both revenues and expenditures broken down by account, detailed list of revenues and expenditures for the month, reconciliations between the general ledger and subsidiary ledgers, utility adjustment reports, and revenue reports from the utility and income tax departments. Council's review and approval of these reports should be noted in the minutes.

FINDING NUMBER 2016-003

Material Weakness – Income Tax

An internal control structure should oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective internal controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes, and take corrective action. A proper internal control structure should include an accounting system over subsidiary accounts and a routine reconciliation between the subsidiary ledger and the general ledger.

The Tax Administrator maintains a listing of taxpayers and records receipt information on their tax returns. However, due to a deficiency in the Village's internal control procedures, tax revenues were not presented to Council on a monthly or yearly basis and there is no reconciliation between the income tax and village accounting systems. Failure to monitor and reconcile income tax receipts could result in funds being lost, stolen, posted to an incorrect taxpayer, or other errors occurring without detection.

To improve controls over the income tax system, we recommend the Tax Administrator maintain a system that more formally tracks taxpayer's information (tax amount, payments, amount owed, etc.) and also to utilize a receipt ledger for income tax revenues received which includes, but is not limited to, identifying the names (or account numbers), dates, and amounts of income tax receipts. The Tax Administrator should provide to Council on a monthly and annual basis the amount of income taxes received and a total receipts compared to estimated revenues. The Clerk-Treasurer should also perform a monthly reconciliation between revenues recorded by the Tax Administrator and revenues in the village ledgers. These reconciliations should be provided to council for review and approval.

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

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

In 2016 and 2015, the electric deregulation kilowatt-hour taxes in the amounts of \$15,387 and \$13,969, respectively, were not recognized as Other Local Taxes Revenue in the General fund as outlined in the Ohio Rev. Code and Auditor of State Bulletin 2001-011 or transferred from the General fund to the Electric Operating fund per Resolution #4.2.01a. These monies were mistakenly retained in the Electric fund as Charges for Services. This resulted in Electric Operating fund (Enterprise Fund) revenues being overstated and General fund revenues being understated by the stated amounts and transfers not being reported.

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

We recommend the Village record these receipts to the General fund and transfer the funds to the Electric Operating fund.

Officials' Response:

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to errors in financial reporting.	Not Corrected. Repeated in this report as finding 2016-001.	The Clerk-Treasurer does not have the specialized experience to prepare the financial statements and notes; however, she will review the errors and make corrections in the future.
2014-002	Ohio Rev. Code § 5705.41(D)(1) due to lack of prior certification	Corrective Action Taken and Finding is Fully Corrected.	
2014-003	Significant Deficiency due to the classification of debt payments.	Not Corrected. Repeated in this report as finding 2016-001.	The Clerk-Treasurer does not have the specialized experience to prepare the financial statements and notes; however, she will review the errors and make corrections in the future.
2014-004	Significant Deficiency due refund of tax overpayments.	Corrective Action Taken and Finding is Fully Corrected.	



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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
JUNE 12, 2018