



**Auditor of State  
Betty Montgomery**



VILLAGE OF CYGNET  
WOOD COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 16, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village

does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Cygnet, Wood County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

December 16, 2005



**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, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$9,422		\$9,422
Municipal Income Tax	80,505		80,505
Intergovernmental Receipts	36,735	\$28,341	65,076
Charges for Services	2,575		2,575
Fines, Licenses, and Permits	1,554		1,554
Earnings on Investments	11,222	1,247	12,469
Miscellaneous	3,251		3,251
<b>Total Cash Receipts</b>	<u>145,264</u>	<u>29,588</u>	<u>174,852</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	23,730		23,730
Leisure Time Activities	10,167		10,167
Basic Utility Services	9,428		9,428
Transportation		28,763	28,763
General Government	115,075		115,075
<b>Total Cash Disbursements</b>	<u>158,400</u>	<u>28,763</u>	<u>187,163</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(13,136)</u>	<u>825</u>	<u>(12,311)</u>
<b>Other Financing Receipts:</b>			
Other Financing Sources	1,022		1,022
<b>Total Other Financing Receipts</b>	<u>1,022</u>		<u>1,022</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(12,114)</u>	<u>825</u>	<u>(11,289)</u>
<b>Fund Cash Balances, January 1</b>	<u>217,672</u>	<u>65,972</u>	<u>283,644</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$205,558</u></u>	<u><u>\$66,797</u></u>	<u><u>\$272,355</u></u>

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

**VILLAGE OF CYGNET  
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$383,353</u>
Total Operating Cash Receipts	<u>383,353</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	29,145
Fringe Benefits	7,770
Contractual Services	115,908
Supplies and Materials	68,355
Other	<u>6,396</u>
Total Operating Cash Disbursements	<u>227,574</u>
Operating Income	<u>155,779</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	<u>110,653</u>
Total Non-Operating Cash Disbursements	<u>110,653</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	45,126
Transfers-In	121,860
Transfers-Out	<u>(121,860)</u>
Net Receipts Over Disbursements	45,126
Fund Cash Balances, January 1	<u>718,581</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$763,707</u></u></b>

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

**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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$11,213			\$11,213
Municipal Income Tax	93,848			93,848
Intergovernmental Receipts	38,166	\$26,369		64,535
Charges for Services	3,560			3,560
Fines, Licenses, and Permits	2,276			2,276
Earnings on Investments	9,586	1,065		10,651
Miscellaneous	6,083			6,083
	<u>164,732</u>	<u>27,434</u>		<u>192,166</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	20,567			20,567
Public Health Services	282			282
Leisure Time Activities	35,304			35,304
Community Environment	475			475
Basic Utility Services	8,650			8,650
Transportation		27,735		27,735
General Government	117,453			117,453
Capital Outlay			\$8,083	8,083
	<u>182,731</u>	<u>27,735</u>	<u>8,083</u>	<u>218,549</u>
<b>Total Cash Disbursements</b>				
Total Receipts (Under) Disbursements	<u>(17,999)</u>	<u>(301)</u>	<u>(8,083)</u>	<u>(26,383)</u>
<b>Other Financing (Disbursements):</b>				
Transfers-Out	<u>(274)</u>			<u>(274)</u>
<b>Total Other Financing (Disbursements)</b>	<u>(274)</u>			<u>(274)</u>
Excess of Cash Receipts (Under) Cash Disbursements and Other Financing Disbursements	(18,273)	(301)	(8,083)	(26,657)
Fund Cash Balances, January 1	<u>235,945</u>	<u>66,273</u>	<u>8,083</u>	<u>310,301</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$217,672</u></u>	<u><u>\$65,972</u></u>	<u><u>\$0</u></u>	<u><u>\$283,644</u></u>

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

**VILLAGE OF CYGNET  
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$381,009
Total Operating Cash Receipts	381,009
<b>Operating Cash Disbursements:</b>	
Personal Services	29,437
Fringe Benefits	8,901
Contractual Services	121,400
Supplies and Materials	66,199
Other	6,969
Capital Outlay	34,795
Total Operating Cash Disbursements	267,701
Operating Income	113,308
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	878,048
Other Non-Operating Receipts	3,327
Total Non-Operating Cash Receipts	881,375
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	852,378
Total Non-Operating Cash Disbursements	852,378
Excess of Receipts Over Disbursements Before Interfund Transfers	142,305
Transfers-In	165,401
Transfers-Out	(165,127)
Net Receipts Over Disbursements	142,579
Fund Cash Balances, January 1	576,002
<b>Fund Cash Balances, December 31</b>	<b>\$718,581</b>

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

**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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 governs the Village. The Village provides 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.

**B. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values overnight repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. (Continued)**

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

**3. Enterprise Funds**

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

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**F. 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.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$41,012	\$52,175
Change Fund	50	50
Total deposits	41,062	52,225
Repurchase agreement	995,000	950,000
Total investments	995,000	950,000
Total deposits and investments	\$1,036,062	\$1,002,225

**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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,528	\$146,286	\$17,758
Special Revenue	14,900	29,588	14,688
Enterprise	406,360	505,213	98,853
Total	\$549,788	\$681,087	\$131,299

**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,220	\$158,400	\$82,820
Special Revenue	56,400	28,763	27,637
Enterprise	605,986	460,087	145,899
Total	<u>\$903,606</u>	<u>\$647,250</u>	<u>\$256,356</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,270	\$164,732	\$18,462
Special Revenue	22,000	27,434	5,434
Enterprise	369,800	1,427,785	1,057,985
Total	<u>\$538,070</u>	<u>\$1,619,951</u>	<u>\$1,081,881</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,082	\$183,005	\$15,077
Special Revenue	70,700	27,735	42,965
Capital Projects		8,083	(8,083)
Enterprise	491,550	1,285,206	(793,656)
Total	<u>\$760,332</u>	<u>\$1,504,029</u>	<u>(\$743,697)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2004, in the Water fund by \$1,752, and for the year ended December 31, 2003, in the Water Construction fund (a Capital Project Fund), the Water fund and Sewer fund by \$8,083, \$902,606, and \$4,096 respectively. The Village did not certify funds prior to expenditure as required by Ohio law.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.



**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA-Rural Development Loan 1996	\$1,033,000	4.30%
USDA-Rural Development Loan 2003	748,000	4.50%
Total	<u>\$1,781,000</u>	

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

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

As required by the loan agreements, the Village has established and is funding a water reserve and sewer reserve fund. The balances as of December 31, 2004 in the funds are \$49,458 and \$45,700 respectively.

Amortization of the above debt, including interest, follows:

**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<u>Year ending December 31:</u>	<u>USDA Rural Development Loan 1996</u>	<u>USDA Rural Development Loan 2003</u>
2005	\$65,941	\$43,294
2006	66,275	42,768
2007	66,557	43,241
2008	65,789	43,674
2009	66,020	43,067
2010-2014	332,724	218,450
2015-2019	332,459	220,970
2020-2024	332,609	223,630
2025-2029	330,714	229,052
2030-2036	464,154	187,617
Total	<u>\$2,123,242</u>	<u>\$1,295,763</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF CYGNET  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' Equity	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</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).

**9. RELATED PARTY TRANSACTIONS**

A village board of public affairs member is owner of a hardware store from which the Village acquired various parts and supplies during 2003. The Village paid \$1,823 for these transactions.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 43413-0190

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 16, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated December 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion on compliance with those provisions was not an

Village of Cygnet  
Wood County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated December 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Village Council, and the Board of Public Affairs. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 16, 2005

VILLAGE OF CYGNET  
WOOD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 authorize 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 (\$1,000 prior to April 7, 2003) 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 does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For fifty-three percent of the transactions tested, proper prior certification was not obtained nor was a then and now certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, it is recommended that all Village non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a Then and Now Certificate should be executed.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

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

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2004:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Operating	\$95,500	\$97,252	\$1,752

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2003:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water CDBG Grant Construction		\$8,083	\$8,083
Water Operating	\$40,150	942,756	902,606
Sewer Operating	101,300	105,396	4,096

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



**VILLAGE OF CYGNET  
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	Finding for Recovery	Yes	
2002-002	Revised Code § 5705.41(D), expenditures not properly certified.	No	Not corrected, repeated as finding # 2004-001
2002-003	Revised Code § 5705.41(B), expenditures exceeding appropriations	No	Not corrected, repeated as finding # 2004-002
2002-004	Not providing annual information on municipal securities	No longer applicable	
2002-005	Noncompliance with mortgage revenue bonds' debt covenants	No longer applicable	
2002-006	Weaknesses in the disbursement process	Yes	
2002-007	Need to reconcile utility clerk's deposit records with clerk-treasurer's records	No	Partially corrected, reported as a management letter recommendation
2002-008	7 CFR 3016.32, no inventory list of equipment	No longer applicable	





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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  
DECEMBER 30, 2005**