

VILLAGE OF CYGNET
WOOD COUNTY
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Cygnet, Wood County, prepared by LublinSussman Group LLP, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 5, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the combined statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental fund types and enterprise funds of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices 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.

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

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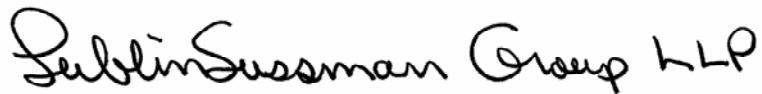
Members:
American Institute of Certified Public Accountants
AICPA—Private Companies Practice Section
Ohio Society of Certified Public Accountants

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2007, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

September 28, 2007
Toledo, Ohio

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

	Governmental Fund Types		
	General	Special Revenue	Totals (Memo. Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 9,317	\$ 0	\$ 9,317
Municipal Income Tax	87,934	0	87,934
Intergovernmental Receipts	30,504	29,804	60,308
Charges for Services	5,740	0	5,740
Fines, Licenses, and Permits	9,904	0	9,904
Earnings on Investments	45,282	5,031	50,313
Miscellaneous	<u>3,565</u>	<u>0</u>	<u>3,565</u>
Total Cash Receipts	<u>192,246</u>	<u>34,835</u>	<u>227,081</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	16,542	0	16,542
Leisure Time Activities	14,708	0	14,708
Basic Utility Services	10,255	0	10,255
Transportation	0	12,895	12,895
General Government	140,481	0	140,481
Personal Services	<u>443</u>	<u>0</u>	<u>443</u>
Total Cash Disbursements	<u>182,429</u>	<u>12,895</u>	<u>195,324</u>
Total Receipts Over Disbursements	<u>9,817</u>	<u>21,940</u>	<u>31,757</u>
Other Financing Receipts:			
Other Financing Sources	<u>2,420</u>	<u>0</u>	<u>2,420</u>
Total Other Financing Receipts	<u>2,420</u>	<u>0</u>	<u>2,420</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	12,237	21,940	34,177
Fund Cash Balances, January 1	<u>200,086</u>	<u>90,013</u>	<u>290,099</u>
Fund Cash Balances, December 31	<u>\$ 212,323</u>	<u>\$ 111,953</u>	<u>\$ 324,276</u>
Reserves for Encumbrances, December 31	<u>\$ 3,052</u>	<u>\$ 0</u>	<u>\$ 3,052</u>

See Notes to Financial Statements

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

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ <u>467,955</u>
Total Operating Cash Receipts	<u>467,955</u>
Operating Cash Disbursements:	
Personal Services	18,639
Fringe Benefits	7,783
Contractual Services	227,773
Supplies and Materials	50,504
Other	14,746
Capital Outlay	<u>96,339</u>
Total Operating Cash Disbursements	<u>415,784</u>
Operating Income	<u>52,171</u>
Non-Operating Cash Receipts	
Intergovernmental Receipts	<u>64,000</u>
Total Non-Operating Cash Receipts	<u>64,000</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	28,000
Interest and Other Fiscal Charges	<u>85,350</u>
Total Non-Operating Cash Disbursements	<u>113,350</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	2,821
Transfers-In	120,660
Transfers-Out	<u>(120,660)</u>
Net Receipts Over Disbursements	2,821
Fund Cash Balances, January 1	<u>758,520</u>
Fund Cash Balances, December 31	\$ <u>761,341</u>
Reserve for Encumbrances, December 31	<u>\$ 85</u>

See Notes to Financial Statements

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

	Governmental Fund Types		
	General	Special Revenue	Totals (Memo. Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 10,341	\$ 0	\$ 10,341
Municipal Income Tax	83,188	0	83,188
Intergovernmental Receipts	19,158	29,342	48,500
Charges for Services	4,229	0	4,229
Fines, Licenses, and Permits	5,538	0	5,538
Earnings on Investments	28,101	3,122	31,223
Miscellaneous	<u>479</u>	<u>0</u>	<u>479</u>
Total Cash Receipts	<u>151,034</u>	<u>32,464</u>	<u>183,498</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	9,250	0	9,250
Leisure Time Activities	5,139	0	5,139
Basic Utility Services	8,805	0	8,805
Transportation	0	9,248	9,248
General Government	<u>136,189</u>	<u>0</u>	<u>136,189</u>
Total Cash Disbursements	<u>159,383</u>	<u>9,248</u>	<u>168,631</u>
Total Receipts Over (Under) Disbursements	<u>(8,349)</u>	<u>23,216</u>	<u>14,867</u>
Other Financing Receipts:			
Other Financing Sources	<u>2,877</u>	<u>0</u>	<u>2,877</u>
Total Other Financing Receipts	<u>2,877</u>	<u>0</u>	<u>2,877</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(5,472)	23,216	17,744
Fund Cash Balances, January 1	<u>205,558</u>	<u>66,797</u>	<u>272,355</u>
Fund Cash Balances, December 31	<u>\$ 200,086</u>	<u>\$ 90,013</u>	<u>\$ 290,099</u>
Reserves for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See Notes to Financial Statements

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

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ <u>371,532</u>
Total Operating Cash Receipts	<u>371,532</u>
Operating Cash Disbursements:	
Personal Services	39,625
Fringe Benefits	7,483
Contractual Services	122,323
Supplies and Materials	79,927
Other	<u>14,760</u>
Total Operating Cash Disbursements	<u>264,118</u>
Operating Income	<u>107,414</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	26,000
Interest and Other Finance Charges	<u>86,601</u>
Total Non-Operating Cash Disbursements	<u>112,601</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(5,187)
Transfers-In	121,860
Transfers-Out	<u>(121,860)</u>
Net Receipts Over/(Under) Disbursements	(5,187)
Fund Cash Balances, January 1	<u>763,707</u>
Fund Cash Balances, December 31	\$ <u>758,520</u>
Reserve for Encumbrances, December 31	\$ <u>0</u>

See Notes to Financial Statements

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

ORGANIZATION

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

CASH AND INVESTMENTS

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

The Village values overnight repurchase agreements at cost.

FUND ACCOUNTING

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

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

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

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Enterprise Funds

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

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

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

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

BUDGETARY PROCESS

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

a. Appropriations

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

b. Estimated Resources

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

Contrary to Ohio law, during 2006 and 2005 an amended certificate of estimated resources was not sent to the County Budget Commission for approval to appropriate and expend excess revenue received.

c. Encumbrances

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

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

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT, AND EQUIPMENT

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

ACCUMULATED LEAVE

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

(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:

	<u>2006</u>	<u>2005</u>
Cash on Hand	\$ 50	\$ 50
Demand Deposits	<u>40,567</u>	<u>23,569</u>
Total Deposits	<u>40,617</u>	<u>23,619</u>
Repurchase Agreements	<u>1,045,000</u>	<u>1,025,000</u>
Total Investments	<u>1,045,000</u>	<u>1,025,000</u>
Total Deposits and Investments	<u>\$ 1,085,617</u>	<u>\$ 1,048,619</u>

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

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

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(3) BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2006 is as follows:

2006 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 125,559	\$ 194,666	\$ 69,107
Special Revenue	30,000	34,835	4,835
Enterprise	<u>434,508</u>	<u>652,615</u>	<u>218,107</u>
Total	<u>\$ 590,067</u>	<u>\$ 882,116</u>	<u>\$ 292,049</u>

2006 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 187,551	\$ 185,481	\$ 2,070
Special Revenue	19,350	12,895	6,455
Enterprise	<u>624,950</u>	<u>649,879</u>	<u>(24,929)</u>
Total	<u>\$ 831,851</u>	<u>\$ 848,255</u>	<u>\$ (16,404)</u>

Budgetary activity for the year ended December 31, 2005 as follows:

2005 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 532,959	\$ 153,911	\$ (379,048)
Special Revenue	18,300	32,464	14,164
Enterprise	<u>1,008,400</u>	<u>493,392</u>	<u>(515,008)</u>
Total	<u>\$ 1,559,659</u>	<u>\$ 679,767</u>	<u>\$ (879,892)</u>

2005 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 174,639	\$ 159,383	\$ 15,256
Special Revenue	18,850	9,248	9,602
Enterprise	<u>601,450</u>	<u>498,579</u>	<u>102,871</u>
Total	<u>\$ 794,939</u>	<u>\$ 667,210</u>	<u>\$ 127,729</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in three Enterprise fund by \$35,435 for the year ended December 31, 2006. Also, contrary to Ohio law, one Enterprise fund had appropriations in excess of total estimated resources by \$61,814.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in one Enterprise fund by \$1,660 for the year ended December 31, 2005. Also, contrary to Ohio law, two Enterprise funds had appropriations in excess of total estimated resources by \$15,201.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(4) PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

(5) LOCAL INCOME TAX

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

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

(6) DEBT

Debt outstanding at December 31, 2006 was as follows:

	Beginning Balance <u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/06</u>	Interest Rate
USDA - Rural Development Loan 1996	\$1,020,000	\$ 0	\$ 14,000	\$1,006,000	5.125%
USDA - Rural Development Loan 2003	<u>735,000</u>	<u>0</u>	<u>14,000</u>	<u>721,000</u>	4.5%
Total	<u>\$1,755,000</u>	<u>\$ 0</u>	<u>\$ 28,000</u>	<u>\$1,727,000</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.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(6) DEBT (CONTINUED)

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, 2006 in the funds were \$49,458 and \$57,800, respectively. The balances as of December 31, 2005 in the funds were \$49,458 and \$51,200, respectively.

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

<u>Year Ending December 31</u>	<u>USDA Rural Development Loan 1996</u>		<u>USDA Rural Development Loan 2003</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 15,000	\$ 51,558	\$ 14,000	\$ 29,241
2008	15,000	50,789	15,000	28,674
2009	16,000	50,020	15,000	28,067
2010	17,000	49,200	16,000	27,459
2011	18,000	48,329	17,000	26,811
2012-2016	106,000	226,628	96,000	123,160
2017-2021	136,000	196,544	120,000	101,858
2022-2026	175,000	157,952	151,000	75,249
2027-2031	222,000	108,599	189,000	41,715
2032-2036	<u>286,000</u>	<u>45,407</u>	<u>88,000</u>	<u>5,467</u>
Totals	\$ <u>1,006,000</u>	\$ <u>985,026</u>	\$ <u>721,000</u>	\$ <u>487,701</u>

(7) RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 9% of their wages in 2006 and 8.5% in 2005. The Village has contributed an amount equal to 13.7% of the participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

Pension expense amounted to \$11,009 and \$13,485 for 2006 and 2005, respectively.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(8) RISK MANAGEMENT

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 460 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>
Members' Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

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

(9) SUBSEQUENT EVENTS

During 2007, the Village of Cygnet contracted with American Municipal Power - Ohio, Inc. (AMP Ohio) for the performance of maintenance and improvements of the Village's electrical facilities. AMP Ohio issued a \$400,000 line of credit with a 5 year term to assist in financing the project. Amounts borrowed from AMP Ohio will be repaid solely from the net revenues of the electrical system. As of the audit report date, the project has been substantially completed.

VILLAGE OF CYGNET
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(10) NONCOMPLIANCE

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

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

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

We have audited the accompanying combined financial statements of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 28, 2007 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

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misstatement. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2006-001 through 2006-003 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider Findings 2006-002 and 2006-003 to be material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated September 28, 2007.

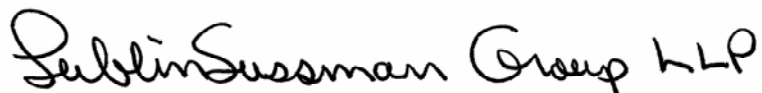
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2006-004 through 2006-007.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated September 28, 2007.

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

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

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

September 28, 2007
Toledo, Ohio

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Significant Deficiency - Employee Pay Rate Records not Maintained

During our audit, it was determined that the Village was unable to locate records of approved pay rates for some of the Village's employees. Being unable to maintain the approved pay rate records for employees could result in discrepancies of amounts paid to those employees.

We recommend that the Village have pay rates for all employees approved by resolution or ordinance and documented in the council minutes. Also, all employees should have an employee file created which would contain records and/or references to the approved employee pay rate.

Officials' Response: The Village will consider preparing and maintaining employee files along with approved pay rates.

FINDING NUMBER 2006-002

Material Weakness - Preparation of Financial Statements Including Footnote Disclosure

An adequately designed internal control structure includes the ability of an organization to prepare financial statements including required footnote disclosures under the method of accounting used. The ability to prepare the financial statements and provide all the necessary disclosures requires specialized professional accounting knowledge. The Village does not employ any individuals with this professional accounting knowledge which results in a deficiency in the design of the internal control system.

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

FINDING NUMBER 2006-003

Material Weakness - Recording of Grant Proceeds

During our audit, it was discovered that grant proceeds and disbursements, received indirectly, were not recorded by the Village. This error caused the financial statements to be material misstated.

We recommend that all grant proceeds and disbursements not directly received by the Village be recorded in accordance with the basis of accounting described in Note 1 of the financial statements.

Officials' Response: All grants are being placed in a folder and a copy of all information is kept in that folder (invoice, payment, deposit, signed grant letter). The Village will record all grants received indirectly as a cash receipt and cash disbursement in the year the funds are released to the contractor.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-004

Noncompliance Citation - Appropriations Limited by Estimated Resources

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

The following funds had appropriations in excess of estimated resources for the year ended December 31, 2006:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Water Operating	\$ 188,750	\$ 126,936	\$ 61,814

The following funds had appropriations in excess of estimated resources for the year ended December 31, 2005:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Sewer Debt Service	\$ 67,000	\$ 52,179	\$ 14,821
Sewer Deposit	500	120	380

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

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

FINDING NUMBER 2006-005

Noncompliance Citation - Transfer of Funds

Ohio Revised Code Section 5705.14 requires that transfers to and from any fund can be made only by a passed resolution of the taxing authority.

During the audit, a majority of the interfund transfers were not approved by a passed resolution of Council.

We recommend approval of Council be obtained for all transfers to prevent unauthorized transactions.

Officials' Response: The Village has been obtaining approval for all transfers from one Village council member. We will begin to approve all transfers by passed resolution.

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-006

Noncompliance Citation - Appropriation of Monies

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

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2006:

<u>Fund Type</u>		<u>Appropriations</u>		<u>Expenditures</u>		<u>Excess</u>
Water Operating	\$	188,750	\$	203,773	\$	15,023
Water Debt Service		45,000		47,075		2,075
Electric Operating		221,500		239,837		18,337

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2005:

<u>Fund Type</u>		<u>Appropriations</u>		<u>Expenditures</u>		<u>Excess</u>
Water Debt Service	\$	45,000	\$	46,660	\$	1,660

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

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

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-007

Noncompliance Citation - Amended Certificates of Available Revenue

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

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

It was noted during the audit that several funds had appropriations in excess of estimated resources (see Finding 2006-04 for detail).

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

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

VILLAGE OF CYGNET
WOOD COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	Revised Code 5705.41(D), expenditures not properly certified.	Yes	
2004-002	Revised Code 5705.41(B), expenditures exceeding appropriations	No	Repeated as Finding 2006-006.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CYGNET

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2007**