

**VILLAGE OF CYGNET**  
**WOOD COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**





# Dave Yost • Auditor of State

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, 2009 through December 31, 2010. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 16, 2011

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental fund types and proprietary fund types of the Village of Cygnet, Wood County, (the Village) as of and for the years ended December 31, 2010 and 2009. 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 reasonably assure whether the combined 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. We believe 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 prescribed or permitted by the Auditor of State. 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 presented in the accompanying financial statements, 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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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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cashflows, where applicable for the years then ended.

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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 14, 2011, 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 audits.

*SublinSussman Group LLP*

July 14, 2011  
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, 2010

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memo. Only)</u>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 15,906	\$ 2,236	\$ 18,142
Municipal Income Tax	85,922	0	85,922
Intergovernmental Receipts	20,045	27,798	47,843
Charges for Services	7,813	0	7,813
Fines, Licenses, and Permits	436	0	436
Earnings on Investments	756	84	840
Miscellaneous	<u>2,482</u>	<u>0</u>	<u>2,482</u>
Total Cash Receipts	<u>133,360</u>	<u>30,118</u>	<u>163,478</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	13,165	0	13,165
Leisure Time Activities	15,294	0	15,294
Transportation	0	24,443	24,443
General Government	138,005	0	138,005
Community Environment	<u>502</u>	<u>0</u>	<u>502</u>
Total Cash Disbursements	<u>166,966</u>	<u>24,443</u>	<u>191,409</u>
Total Receipts Over (Under) Disbursements	<u>(33,606)</u>	<u>5,675</u>	<u>(27,931)</u>
<b>Other Financing Receipts:</b>			
Other Financing Sources	<u>6,368</u>	<u>0</u>	<u>6,368</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(27,238)	5,675	(21,563)
Fund Cash Balances, January 1	<u>153,479</u>	<u>124,576</u>	<u>278,055</u>
Fund Cash Balances, December 31	\$ <u>126,241</u>	\$ <u>130,251</u>	\$ <u>256,492</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, 2010

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 605,892
<b>Operating Cash Disbursements:</b>	
Personal Services	36,426
Employee Fringe Benefits	9,846
Contractual Services	276,979
Supplies and Materials	62,827
Other	<u>12,934</u>
Total Operating Cash Disbursements	<u>399,012</u>
Operating Income	<u>206,880</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Notes	150,000
Earnings on Investments	<u>590</u>
Total Non-Operating Cash Receipts	<u>150,590</u>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	20,941
Redemption of Principal	367,473
Interest and Other Fiscal Charges	<u>94,632</u>
Total Non-Operating Cash Disbursements	<u>483,046</u>
Excess of Receipts Under Disbursements Before Interfund Transfers	(125,576)
Transfers-In	115,060
Transfers-Out	<u>(115,060)</u>
Net Receipts Under Disbursements	(125,576)
Fund Cash Balances, January 1	<u>683,246</u>
<b>Fund Cash Balances, December 31</b>	<b>\$ <u>557,670</u></b>
Reserve for Encumbrances, December 31	<b>\$ <u>0</u></b>

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, 2009

	Governmental Fund Types		
	General	Special Revenue	Totals (Memo. Only)
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 16,317	\$ 2,090	\$ 18,407
Municipal Income Tax	93,995	0	93,995
Intergovernmental Receipts	32,331	26,800	59,131
Charges for Services	7,344	0	7,344
Fines, Licenses, and Permits	635	0	635
Earnings on Investments	1,718	160	1,878
Miscellaneous	<u>2,594</u>	<u>0</u>	<u>2,594</u>
Total Cash Receipts	<u>154,934</u>	<u>29,050</u>	<u>183,984</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	11,088	0	11,088
Leisure Time Activities	18,159	0	18,159
Transportation	0	20,930	20,930
General Government	179,299	0	179,299
Community Environment	<u>338</u>	<u>0</u>	<u>338</u>
Total Cash Disbursements	<u>208,884</u>	<u>20,930</u>	<u>229,814</u>
Total Receipts Over (Under) Disbursements	<u>(53,950)</u>	<u>8,120</u>	<u>(45,830)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Other Financing Sources	3,330	0	3,330
Transfers-Out	<u>(2,057)</u>	<u>0</u>	<u>(2,057)</u>
Total Other Financing Receipts	<u>1,273</u>	<u>0</u>	<u>1,273</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(52,677)	8,120	(44,557)
Fund Cash Balances, January 1	<u>206,156</u>	<u>116,456</u>	<u>322,612</u>
Fund Cash Balances, December 31	<u>\$ 153,479</u>	<u>\$ 124,576</u>	<u>\$ 278,055</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, 2009

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 547,934
<b>Operating Cash Disbursements:</b>	
Personal Services	35,828
Employee Fringe Benefits	10,482
Contractual Services	261,097
Supplies and Materials	62,675
Other	<u>17,905</u>
Total Operating Cash Disbursements	<u>387,987</u>
Operating Income	<u>159,947</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Notes	327,000
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	5,002
Redemption of Principal	381,000
Interest and Other Fiscal Charges	<u>89,318</u>
Total Non-Operating Cash Disbursements	<u>475,320</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	11,627
Transfers-In	131,857
Transfers-Out	<u>(129,800)</u>
Net Receipts Over Disbursements	13,684
Fund Cash Balances, January 1	<u>669,562</u>
<b>Fund Cash Balances, December 31</b>	<b>\$ <u>683,246</u></b>
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, 2010 AND 2009

**ORGANIZATION**

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

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

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

**ACCOUNTING BASIS**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**DEPOSITS AND INVESTMENTS**

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

The Village values overnight repurchase agreements at cost.

**FUND ACCOUNTING**

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

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

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

FUND ACCOUNTING (CONTINUED)

b. Special Revenue Funds (Continued)

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

c. Enterprise Funds

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

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. Appropriations lapse at year end.

b. Estimated Resources

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

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

BUDGETARY PROCESS (CONTINUED)

c. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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 DEPOSITS AND INVESTMENTS**

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

	<u>2010</u>	<u>2009</u>
Cash on Hand	\$ 50	\$ 50
Demand Deposits	<u>29,112</u>	<u>31,251</u>
Total Deposits	<u>29,162</u>	<u>31,301</u>
Repurchase Agreements	<u>785,000</u>	<u>930,000</u>
Total Investments	<u>785,000</u>	<u>930,000</u>
Total Deposits and Investments	<u>\$ 814,162</u>	<u>\$ 961,301</u>

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

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

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**(3) BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2010 is as follows:

2010 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 148,671	\$ 139,728	\$ (8,943)
Special Revenue	27,500	30,118	2,618
Enterprise	<u>761,114</u>	<u>871,542</u>	<u>110,428</u>
Total	<u>\$ 937,285</u>	<u>\$ 1,041,388</u>	<u>\$ 104,103</u>

2010 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 261,600	\$ 166,966	\$ 94,634
Special Revenue	105,750	24,443	81,307
Enterprise	<u>1,109,050</u>	<u>997,118</u>	<u>111,932</u>
Total	<u>\$ 1,476,400</u>	<u>\$ 1,188,527</u>	<u>\$ 287,873</u>

Budgetary activity for the year ended December 31, 2009 is as follows:

2009 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 130,086	\$ 158,264	\$ 28,178
Special Revenue	22,000	29,050	7,050
Enterprise	<u>903,900</u>	<u>1,006,791</u>	<u>102,891</u>
Total	<u>\$ 1,055,986</u>	<u>\$ 1,194,105</u>	<u>\$ 138,119</u>

2009 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 287,500	\$ 210,941	\$ 76,559
Special Revenue	77,500	20,930	56,570
Enterprise	<u>993,800</u>	<u>993,107</u>	<u>693</u>
Total	<u>\$ 1,358,800</u>	<u>\$ 1,224,978</u>	<u>\$ 133,822</u>



VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**(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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA - Rural Development Loan 1996	\$ 943,000	5.125%
USDA - Rural Development Loan 2003	661,000	4.50%
Corn City State Bank Loan	<u>142,527</u>	3.5%
Total	<u>\$ 1,746,527</u>	

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**(6) DEBT (CONTINUED)**

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 amount 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, 2010 and 2009 in the funds were \$53,463 and \$83,200, respectively.

The Corn City State Bank loan was obtained to retire the AMP-Ohio loan outstanding balance of \$150,000. The Village will repay the loan in monthly installment beginning June 17, 2010 of not less than \$1,484 each, including interest, for 119 months thereafter. The Village must retain a reserve of 50% of outstanding principal in the electric fund. The balance as of December 31, 2010 in the electric operating fund is \$157,961. The debt shall be repayable solely from the revenues of the electric system.

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>Corn City Loan</u>
2011	66,329	43,811	17,803
2012	66,406	44,123	17,803
2013	67,433	43,394	17,803
2014	66,356	43,664	17,803
2015	66,280	43,895	17,803
2016-2020	332,156	221,516	77,587
2021-2025	333,513	225,083	0
2026-2030	330,414	230,046	0
2031-2035	397,578	140,733	0
Totals	<u>\$ 1,726,465</u>	<u>\$ 1,036,265</u>	<u>\$ 166,602</u>

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**(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. This plan provides 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 10% of their annual covered salary for 2010 and 2009. The Village has contributed an amount equal to 14% of the participant's gross salaries for 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

Pension expense amounted to \$14,482 and \$14,432 for 2010 and 2009, respectively.

**(8) RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverage and reinsured these coverages 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which may vary from member to member.

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

	<u>2010</u>	<u>2009</u>
Assets	\$12,036,541	\$11,176,186
Liabilities	<u>4,845,056</u>	<u>4,852,485</u>
Members' Equity	<u>\$ 7,191,485</u>	<u>\$ 6,323,701</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) CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF CYGNET  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**(10) SUBSEQUENT EVENT**

During 2011, the Village of Cygnet made the decision to discontinue the production of water and sewer services and transfer all responsibility and related debt of the water and sewer plants to the Northwest Water & Sewer District and in return purchase water from the District. This transfer is scheduled to occur on August 1, 2011.

# LublinSussman Group LLP

Certified Public Accountants

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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, 2010 and 2009, and have issued our report thereon dated July 14, 2011 wherein we noted that the Village followed 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 audits, we considered the Village's internal control over financial reporting as a basis for designing our audit 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2010-01 described in the accompanying schedule of findings and responses to be a material weakness.

[www.lublinsussman.com](http://www.lublinsussman.com)

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## Compliance and Other Matters

As part of obtaining reasonable assurance about 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 objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated July 14, 2011.

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

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

*Seblin Sussman Group LLP*

July 14, 2011  
Toledo, Ohio

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Material Weakness - Preparation of Financial Statements Including Footnote Disclosure and Detection of Material Misstatements

An adequately designed internal control structure includes controls over financial statements including required footnote disclosures under the method of accounting used. The ability of an organization to prepare their financial statements and provide all the necessary disclosures requires specialized professional accounting knowledge which would include the ability to recognize the need for and completeness of financial statement disclosures. During the audit, significant journal entries were proposed to the Village in order to comply with the basis of accounting prescribed by the State Auditor of Ohio. The Village does not employ an individual with this professional accounting knowledge which results in a deficiency in the design of the internal control system.

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

VILLAGE OF CYGNET  
WOOD COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2008-001	Material Weakness - Preparation of Financial Statements Including Footnote Disclosure	No	Repeated as Finding 2010-001
2008-002	Significant Deficiency - Estimated Resources Not Properly Recorded in Accounting System	Yes	
2008-003	Noncompliance Citation - Appropriations Limited by Estimated Resources	Yes	
2008-004	Noncompliance Citation - Transfer of Funds	Yes	
2008-005	Noncompliance Citation - Appropriation of Monies	Yes	
2008-006	Noncompliance Citation - Amended Certificates of Available Revenue	Yes	





# Dave Yost • Auditor of State

VILLAGE OF CYGNET

WOOD COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 29, 2011