



**Auditor of State
Betty Montgomery**

**VILLAGE OF SWANTON
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Swanton
Fulton County
219 Chestnut Street
Swanton, Ohio 43558-1303

To the Village Council:

We have audited the accompanying financial statements of the Village of Swanton, Fulton County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2003, and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 6, 2004

**VILLAGE OF SWANTON
FULTON COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 106,047	\$ 45,340	\$ -	\$ 1,019,631	\$ 1,171,018
Special Assessments	-	-	60,067	-	60,067
Intergovernmental Receipts	205,606	152,332	275,875	-	633,813
Charges for Services	4,528	1,291	-	-	5,819
Fines, Licenses, and Permits	48,223	1,220	-	-	49,443
Earnings on Investments	17,415	52,245	-	-	69,660
Miscellaneous	17,155	4	-	-	17,159
Total Cash Receipts	398,974	252,432	335,942	1,019,631	2,006,979
Cash Disbursements					
Current:					
Security of Persons and Property	608,749	-	-	-	608,749
Public Health Services	305	-	-	-	305
Leisure Time Activities	-	46,179	-	-	46,179
Community Environment	11,830	-	-	-	11,830
Basic Utility Services	109,037	-	-	-	109,037
Transportation	51,182	171,453	-	-	222,635
General Government	555,937	-	-	26,115	582,052
Debt Service:					
Principal Payments	-	16,951	572,910	-	589,861
Interest Payments	-	-	122,096	-	122,096
Capital Outlay	14,947	38,280	838,611	-	891,838
Total Cash Disbursements	1,351,987	272,863	1,533,617	26,115	3,184,582
Total Cash Receipts Over/ (Under) Cash Disbursements	(953,013)	(20,431)	(1,197,675)	993,516	(1,177,603)
Other Financing Receipts and (Disbursements)					
Sale of Notes	-	-	510,000	-	510,000
Sale of Fixed Assets	48,961	-	-	-	48,961
Transfers-In	659,000	-	366,000	-	1,025,000
Transfers-Out	-	-	-	(1,025,000)	(1,025,000)
Advances-Out	-	-	(265,000)	-	(265,000)
Total Other Financing Receipts/(Disbursements)	707,961	-	611,000	(1,025,000)	293,961
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(245,052)	(20,431)	(586,675)	(31,484)	(883,642)
Fund Cash Balances, January 1	681,683	442,439	1,010,875	40,402	2,175,399
Fund Cash Balances, December 31	\$ 436,631	\$ 422,008	\$ 424,200	\$ 8,918	\$ 1,291,757
Reserves for Encumbrances, December 31	\$ 11,589	\$ 40,485	\$ 203,660	\$ -	\$ 255,734

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SWANTON
FULTON COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,764,977
Miscellaneous	3,342
	1,768,319
Operating Cash Disbursements	
Personal Services	738,639
Fringe Benefits	282,336
Contractual Services	807,967
Supplies and Materials	232,736
Capital Outlay	734,299
	2,795,977
Total Operating Cash Disbursements	2,795,977
Operating Loss	(1,027,658)
Non-Operating Cash Receipts	
Property Tax and Other Local Taxes	64,072
Intergovernmental Receipts	101,934
Proceeds from Notes and Bonds	1,065,000
Other Non-Operating Receipts	251
	1,231,257
Total Non-Operating Cash Receipts	1,231,257
Non-Operating Cash Disbursements	
Debt Service	766,843
Other Non-Operating Cash Disbursements	1,565
	768,408
Total Non-Operating Cash Disbursements	768,408
Excess of Cash Disbursements Over Cash Receipts Before Interfund Advances	(564,809)
Advances-In	265,000
	(299,809)
Net Cash Disbursements Over Cash Receipts	(299,809)
Fund Cash Balances, January 1	965,602
	965,602
Fund Cash Balances, December 31	\$ 665,793
Reserve for Encumbrances, December 31	\$ 87,776

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SWANTON
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 98,090	\$ 46,711	\$ -	\$ 1,063,450	\$ 1,208,251
Special Assessments	-	-	60,512	-	60,512
Intergovernmental Receipts	316,611	138,521	-	-	455,132
Charges for Services	22,841	1,050	-	-	23,891
Fines, Licenses, and Permits	57,705	2,514	1,128	-	61,347
Earnings on Investments	18,126	56,368	-	-	74,494
Miscellaneous	22,372	-	-	-	22,372
Total Cash Receipts	535,745	245,164	61,640	1,063,450	1,905,999
Cash Disbursements					
Current:					
Security of Persons and Property	581,292	-	-	-	581,292
Public Health Services	523	-	-	-	523
Leisure Time Activities	-	45,234	-	-	45,234
Community Environment	500	-	-	-	500
Basic Utility Services	51,660	-	-	-	51,660
Transportation	57,502	306,322	-	-	363,824
General Government	526,533	-	-	46,303	572,836
Debt Service:					
Principal Payments	-	16,951	1,168,374	-	1,185,325
Interest Payments	-	-	164,951	-	164,951
Capital Outlay	501,534	250,258	808,959	-	1,560,751
Total Cash Disbursements	1,719,544	618,765	2,142,284	46,303	4,526,896
Total Cash Receipts Over/ (Under) Cash Disbursements	(1,183,799)	(373,601)	(2,080,644)	1,017,147	(2,620,897)
Other Financing Receipts and (Disbursements)					
Sale of Bonds or Notes	-	-	1,110,000	-	1,110,000
Transfers-In	559,000	-	516,000	-	1,075,000
Transfers-Out	-	-	-	(1,075,000)	(1,075,000)
Total Other Financing Receipts/(Disbursements)	559,000	-	1,626,000	(1,075,000)	1,110,000
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(624,799)	(373,601)	(454,644)	(57,853)	(1,510,897)
Fund Cash Balances, January 1	1,306,482	816,040	1,465,519	98,255	3,686,296
Fund Cash Balances, December 31	\$ 681,683	\$ 442,439	\$ 1,010,875	\$ 40,402	\$ 2,175,399
Reserves for Encumbrances, December 31	\$ 51,810	\$ 119	\$ 101,410	\$ -	\$ 153,339

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SWANTON
FULTON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,507,838
Miscellaneous	11,767
	1,519,605
Operating Cash Disbursements	
Personal Services	618,814
Fringe Benefits	246,242
Contractual Services	354,961
Supplies and Materials	157,390
Capital Outlay	19,368
	1,396,775
Total Operating Cash Disbursements	1,396,775
Operating Income	122,830
Non-Operating Cash Receipts	
Property Tax and Other Local Taxes	64,035
Intergovernmental Receipts	29,698
Proceeds from Notes and Bonds	150,000
Other Non-Operating Receipts	251
	243,984
Total Non-Operating Cash Receipts	243,984
Non-Operating Cash Disbursements	
Debt Service	150,000
Other Non-Operating Cash Disbursements	269
	150,269
Total Non-Operating Cash Disbursements	150,269
Net Cash Receipts Over Cash Disbursements	216,545
Fund Cash Balances, January 1	749,057
Fund Cash Balances, December 31	\$ 965,602
Reserve for Encumbrances, December 31	\$ 55,111

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Swanton, Fulton County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, police, fire, and rescue services.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. Special Revenue Fund

These funds are used to 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 Funds:

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets

Parks and Recreation Fund -This fund receives real estate and property tax revenues, rental receipts and donations to fund the Village’s Park programs and maintenance.

Permissive Tax Fund - This fund receives Permissive tax and interest revenues used for constructing, maintaining, and repairing Village streets.

3. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Projects Fund - Receives proceeds from Bond Anticipation Notes and revenue from Income Taxes. The proceeds are being used to improve the water and sewer systems and other governmental projects respectively.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Fire and Rescue Fund - This fund receives real estate and property tax revenues, charges for services for contracts from other governments for the provision of fire and rescue services.

5. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

Income Tax Fund - Receives income tax monies from residents and businesses for operations and capital improvements.

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, function or object level of control, and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$ 57,550	\$ 141,001
Certificates of deposit	1,900,000	3,000,000
Total deposits	<u>\$ 1,957,550</u>	<u>\$ 3,141,001</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 910,855	\$ 1,106,935	\$ 196,080
Special Revenue	369,800	252,432	(117,368)
Capital Projects	1,191,360	1,211,942	20,582
Enterprise	2,927,950	2,999,576	71,626
Fiduciary	1,065,000	1,019,631	(45,369)
Total	\$ 6,464,965	\$ 6,590,516	\$ 125,551

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,589,396	\$ 1,363,576	\$ 225,820
Special Revenue	415,569	313,348	102,221
Capital Projects	1,772,610	1,737,277	35,333
Enterprise	3,983,956	3,652,161	331,795
Fiduciary	1,092,500	1,051,115	41,385
Total	\$ 8,854,031	\$ 8,117,477	\$ 736,554

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 948,241	\$ 1,094,745	\$ 146,504
Special Revenue	379,325	245,164	(134,161)
Capital Projects	1,661,054	1,687,640	26,586
Enterprise	1,264,404	1,763,589	499,185
Fiduciary	1,031,501	1,063,450	31,949
Total	\$ 5,284,525	\$ 5,854,588	\$ 570,063

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,076,150	\$ 1,771,354	\$ 304,796
Special Revenue	678,608	618,884	59,724
Capital Projects	2,500,117	2,243,694	256,423
Enterprise	1,968,932	1,602,155	366,777
Fiduciary	1,125,100	1,121,303	3,797
Total	\$ 8,348,907	\$ 7,357,390	\$ 991,517

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 1.25 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.

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

Bond Anticipation Notes of \$1,575,000 at 1.9 percent due 8/26/04 is for water and sewer improvements.

The Village entered a Cooperative Agreement with Lucas County Engineers for Hallet Street Improvements for \$169,513 at 0 percent in 1997 due 5/14/09. The annual payment is \$16,951 and the balance is \$101,708.

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,435,642	7.77%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has decreased the effective interest rate by subsidizing the interest payments due beginning in January, 2004. The loans will be repaid in variable semiannual installments, including interest, over 25 years.

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

Year ending December 31:	OWDA Loan
2004	\$ 168,293
2005	168,815
2006	169,378
2007	169,983
2008	170,367
Subsequent	1,395,626
Total	\$ 2,242,462

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and Fire Chief belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF SWANTON
FULTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant (and 24 percent of fire participant) wages. 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, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.
- Public official's liability.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Swanton
Fulton County
219 Chestnut Street
Swanton, Ohio 43558-1303

To the Village Council:

We have audited the accompanying financial statements of the Village of Swanton, Fulton County, (the Village) as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated April 6, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, noncompliance with which could have a direct and material effect 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 6, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal controls over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated April 6, 2004.

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



Betty Montgomery
Auditor of State

April 6, 2004

**VILLAGE OF SWANTON
FULTON COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Reportable Condition

Performance of Bank Reconciliations and Posting Activities

The Village had been unable to prepare accurate and complete bank reconciliations since February 2002. The following items have contributed to the incompleteness and inaccuracy:

- Not all transactions were posted to the general ledger. The transactions included: interest, service charges, check fees, payroll overdraft charges, bank credit memos, and losses on certificates of deposits due to early redemption.
- Corrections of errors were not posted properly including encoding errors, writing a replacement payroll check out of general checking, correcting a voided payroll check to the general ledger, posting payroll overdraft charges to the general ledger, a check dropped off of the outstanding check listing.
- The Village does not utilize the computerized accounting system's Financial Management electronic format of the Bank Reconciliation and Outstanding Check listings, resulting in manual reconciliations.
- The monthly bank reconciliations accompanied with supporting documentation (i.e. bank statements) are not submitted to Village Council or the Finance Committee Chairperson for comparison to the monthly Statement of Cash Position Report
- The Village has changed banks for its payroll account and did not consider the full amount of outstanding checks when funding the new payroll account.
- Not all employee withholdings (non-deferred pension, deferred pension, and Aetna premium) were remitted to the appropriate vendor from the payroll account.

These conditions provide for the possible misappropriations of assets occurring and not being detected, and inaccurate information being presented to Village Council. To correct the above conditions we recommend the following:

- Interest, service charges, check fees, payroll overdraft charges, bank credit memos, and gains or losses on investment activities should be posted monthly to the financial statements.
- Corrections of errors should be carefully thought through and determination made to the type of transaction (payroll or non-payroll) to assure accuracy in posting.
- Monthly reconciliations including outstanding check listings should be performed electronically within the Financial Management software.
- A monthly payroll reconciliation separate from the general checking reconciliations should be performed and both reviewed and initialed by the Finance Director for timely completion and accuracy. Reconciliations should also be reviewed monthly by Council for agreement with the Financial Management Statement of Cash Positions Report and for significant unusual items. Council's review should be documented.
- All employee withheld amounts that have not been paid or have been refunded from the appropriate third parties should be repaid to the personnel from whom the withholding occurred.

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30126-001	Swanton Codified Ordinance § 143.01 (A) - overpayment to prior Mayor of \$460	Yes	
2001-30126-002	Reportable Condition - Performance of Bank Reconciliations and Posting Activities	No	Reissued as Finding 2003-001.



**Auditor of State
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VILLAGE OF SWANTON

FULTON 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
MAY 4, 2004**