



**VILLAGE OF SWANTON
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF SWANTON
FULTON COUNTY

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Mary Taylor, CPA Auditor of State

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

To the Village Council:

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 2, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Swanton, Fulton County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Beginning in 2007, the Village began processing its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require 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 requires us to include the following paragraph if the statements do not substantially conform to 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.

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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 Swanton, Fulton County, Ohio, as of December 31, 2007 and 2006, 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 December 2, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 2, 2008

**VILLAGE OF SWANTON
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$133,327	\$54,630		\$187,957
Municipal Income Tax	1,238,601			1,238,601
Intergovernmental	251,284	183,964		435,248
Special Assessments	58,085		\$58,027	116,112
Charges for Services	14,566	2,250		16,816
Fines, Licenses and Permits	75,242	777		76,019
Earnings on Investments	177,267	34,839		212,106
Miscellaneous	20,279			20,279
	<u>1,968,651</u>	<u>276,460</u>	<u>58,027</u>	<u>2,303,138</u>
Total Cash Receipts				
	<u>1,968,651</u>	<u>276,460</u>	<u>58,027</u>	<u>2,303,138</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	567,515			567,515
Public Health Services	142			142
Leisure Time Activities		51,590		51,590
Community Environment	2,100			2,100
Basic Utility Service	25,100			25,100
Transportation	54,188	180,202		234,390
General Government	374,692			374,692
Debt Service:				
Redemption of Principal		16,951	426,655	443,606
Interest and Fiscal Charges			19,170	19,170
Capital Outlay			55,288	55,288
	<u>1,023,737</u>	<u>248,743</u>	<u>501,113</u>	<u>1,773,593</u>
Total Cash Disbursements				
	<u>1,023,737</u>	<u>248,743</u>	<u>501,113</u>	<u>1,773,593</u>
Total Receipts Over/(Under) Disbursements	<u>944,914</u>	<u>27,717</u>	<u>(443,086)</u>	<u>529,545</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			406,000	406,000
Transfers-In			200,000	200,000
Transfers-Out	(200,000)			(200,000)
Advances-In			51,000	51,000
Other Financing Uses	(38,536)			(38,536)
Advances-Out			(212,000)	(212,000)
	<u>(238,536)</u>		<u>445,000</u>	<u>206,464</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(238,536)</u>		<u>445,000</u>	<u>206,464</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>706,378</u>	<u>27,717</u>	<u>1,914</u>	<u>736,009</u>
Fund Cash Balances, January 1	<u>1,449,082</u>	<u>501,527</u>	<u>323,459</u>	<u>2,274,068</u>
Fund Cash Balances, December 31	<u>\$2,155,460</u>	<u>\$529,244</u>	<u>\$325,373</u>	<u>\$3,010,077</u>
Reserve for Encumbrances, December 31	<u>\$115,072</u>			<u>\$115,072</u>

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, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,162,330
Operating Cash Disbursements:	
Personal Services	821,984
Employee Fringe Benefits	355,727
Contractual Services	290,076
Supplies and Materials	231,575
Other	1,347
Total Operating Cash Disbursements	1,700,709
Operating Income	461,621
Non-Operating Cash Receipts:	
Property and Other Local Taxes	90,745
Intergovernmental	9,941
Special Assessments	5,951
Sale of Notes	926,000
Other Debt Proceeds	525,545
Sale of Fixed Assets	21,794
Miscellaneous Receipts	748
Total Non-Operating Cash Receipts	1,580,724
Non-Operating Cash Disbursements:	
Capital Outlay	548,503
Redemption of Principal	1,084,887
Interest and Other Fiscal Charges	143,539
Other Non-Operating Cash Disbursements	7,976
Total Non-Operating Cash Disbursements	1,784,905
Excess of Receipts Over Disbursements Before Interfund Advances	257,440
Advances-In	212,000
Advances-Out	(51,000)
Net Receipts Over Disbursements	418,440
Fund Cash Balances, January 1	1,312,482
Fund Cash Balances, December 31	\$1,730,922
Reserve for Encumbrances, December 31	\$3,450

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$129,307	\$55,625		\$184,932
Municipal Income Tax	1,236,955			1,236,955
Intergovernmental	209,370	182,375		391,745
Special Assessments	51,466		\$57,705	109,171
Charges for Services	18,420	1,500		19,920
Fines, Licenses and Permits	57,212	3,808	8,868	69,888
Earnings on Investments	36,114	108,342		144,456
Miscellaneous	27,803	20,000		47,803
Total Cash Receipts	<u>1,766,647</u>	<u>371,650</u>	<u>66,573</u>	<u>2,204,870</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	557,335			557,335
Public Health Services	199			199
Leisure Time Activities		57,160		57,160
Community Environment	3,152			3,152
Basic Utility Service	48,889			48,889
Transportation	48,586	170,957		219,543
General Government	408,125			408,125
Debt Service:				
Redemption of Principal			470,655	470,655
Interest and Fiscal Charges			21,279	21,279
Capital Outlay			15,861	15,861
Total Cash Disbursements	<u>1,066,286</u>	<u>228,117</u>	<u>507,795</u>	<u>1,802,198</u>
Total Receipts Over/(Under) Disbursements	<u>700,361</u>	<u>143,533</u>	<u>(441,222)</u>	<u>402,672</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			426,000	426,000
Transfers-In			200,000	200,000
Transfers-Out	(200,000)		(212,000)	(412,000)
Advances-In			20,000	20,000
Total Other Financing Receipts / (Disbursements)	<u>(200,000)</u>		<u>434,000</u>	<u>234,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>500,361</u>	<u>143,533</u>	<u>(7,222)</u>	<u>636,672</u>
Fund Cash Balances, January 1	948,721	357,994	330,681	1,637,396
Fund Cash Balances, December 31	<u>\$1,449,082</u>	<u>\$501,527</u>	<u>\$323,459</u>	<u>\$2,274,068</u>
Reserve for Encumbrances, December 31	<u>\$21,505</u>	<u>\$2,431</u>	<u>\$5,204</u>	<u>\$29,140</u>

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, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,920,034
Operating Cash Disbursements:	
Personal Services	1,098,442
Employee Fringe Benefits	937
Contractual Services	356,893
Supplies and Materials	172,553
Other	22
Total Operating Cash Disbursements	1,628,847
Operating Income	291,187
Non-Operating Cash Receipts:	
Property and Other Local Taxes	34,269
Intergovernmental	8,027
Special Assessments	5,875
Sale of Notes	980,000
Miscellaneous Receipts	68,888
Total Non-Operating Cash Receipts	1,097,059
Non-Operating Cash Disbursements:	
Capital Outlay	24,021
Redemption of Principal	1,088,743
Interest and Other Fiscal Charges	129,914
Total Non-Operating Cash Disbursements	1,242,678
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	145,568
Transfers-In	212,000
Advances-Out	(20,000)
Net Receipts Over Disbursements	337,568
Fund Cash Balances, January 1	974,914
Fund Cash Balances, December 31	\$1,312,482
Reserve for Encumbrances, December 31	\$50,798

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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Swanton, Fulton County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police, fire and rescue services

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

B. 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.

C. 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 certificates of deposit at cost

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from 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 SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Permissive Tax Fund – This fund receives permissive motor vehicle license tax and interest earnings to be used for constructing, maintaining, and repairing Village streets.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund – This fund receives proceeds of general obligation notes and income tax revenue. The proceeds are being used to improve the water and sewer systems and other governmental projects.

4. 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.

Fire/Rescue Fund - This fund receives property tax revenues and revenues from fire and rescue contracts with other governments.

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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. 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 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$4,090,999	\$2,581,961
Certificates of deposit	650,000	1,004,589
Total deposits	\$4,740,999	\$3,586,550

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,790,570	\$1,968,651	\$178,081
Special Revenue	261,300	276,460	15,160
Capital Projects	827,800	664,027	(163,773)
Enterprise	3,210,757	3,743,054	532,297
Total	\$6,090,427	\$6,652,192	\$561,765

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,227,378	\$1,377,345	\$850,033
Special Revenue	387,850	248,743	139,107
Capital Projects	915,500	501,113	414,387
Enterprise	3,420,855	3,489,064	(68,209)
Total	\$6,951,583	\$5,616,265	\$1,335,318

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,484,120	\$1,766,647	\$282,527
Special Revenue	259,600	371,650	112,050
Capital Projects	847,800	692,573	(155,227)
Enterprise	3,070,950	3,229,093	158,143
Total	\$5,662,470	\$6,059,963	\$397,493

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,493,145	\$1,287,791	\$205,354
Special Revenue	305,078	230,548	74,530
Capital Projects	944,154	724,999	219,155
Enterprise	3,230,667	2,922,323	308,344
Total	\$5,973,044	\$5,165,661	\$807,383

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Billing fund by \$362,638 for the year ended December 31, 2007.

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.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX – (CONTINUED)

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.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes	\$1,332,000	4.60%
OWDA Water Plant Loan	1,131,173	7.00%
OWDA Sewer Separation Loan	505,520	2.75%
OWPC Hallet Street Loan	33,903	0.00%
OWPC E. Garfield Street Loan	10,813	0.00%
Total	<u>\$3,013,409</u>	

Bond Anticipation Notes of \$1,332,000 at 4.6 percent due 8/22/2008 for water and sewer improvements are rolled over each year with no preset requirement for reducing the total notes outstanding; therefore no amortization schedule is available.

The Village received a loan from Ohio Water Development Authority (OWDA) loan for the water and sewer plant expansion project in 1992 that was mandated by the Ohio Environmental Protection Agency. The OWDA approved \$1,952,714 in loans to the Village for this project. The Village will repay the loan in variable semiannual installments, including interest, over 25 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village received a loan from Ohio Water Development Authority (OWDA) loan for the sewer system improvement project in 2007 that were mandated by the Ohio Environmental Protection Agency. The OWDA approved \$525,545 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$17,171, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT – (CONTINUED)

The Village received a loan from Ohio Public Works Commission in a cooperative agreement with the Fulton County Engineer for Hallet Street Improvements in 1999. The Village portion is for \$169,513 at 0 percent to be repaid in annual installments over 10 years.

The Village received a loan from Ohio Public Works Commission (OPWC) for improvements to E. Garfield Street in July 2004. The loan of \$13,106 at 0 percent is to be repaid in semiannual installments over 20 years.

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

Year ending December 31:	OWDA Loan	OWDA Loan	OPWC Loan	OPWC Loan
	Water Plant	Sewer Separation	Hallet Street	E. Garfield Street
2008	\$170,637	\$34,342	\$16,951	\$655
2009	171,342	34,342	16,952	655
2010	172,100	34,342		655
2011	172,918	34,342		655
2012	173,800	34,342		655
2013 – 2027	705,466	480,791		7,538
Total	<u>\$1,566,263</u>	<u>\$652,501</u>	<u>\$33,903</u>	<u>\$10,813</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. JOINTLY GOVERNED ORGANIZATION – JOINT RECREATION BOARD

The Joint Recreation Board was created under Ohio Revised Code Section 755.14 and includes the Village and the Swanton Local School District. Projects undertaken by the Joint Recreation Board are approved by the Board of Education and Village Council. The Joint Recreation Board consists of four representatives appointed by the Swanton Board of Education and five representatives appointed by the Village of Swanton. The degree of control exercised by the Village is limited to its representation on the Joint Recreation Board.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Swanton, Fulton County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 2, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village began using the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions in 2007. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 would not necessarily identify all deficiencies in 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 consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of 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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-002.

We intend this report solely for the information and use of the audit committee, management and Village Council, We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 2, 2008

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness - Monitoring of Financial Activity

Inaccurate posting of transactions impedes the ability of the Village Management to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- The activity of the income tax department was accounted for in a trust fund for both years under audit. In previous years this activity has been reported in the General Fund as all income taxes are earmarked for the General Fund per Village Ordinance. This resulted in adjustments to the General fund and Income Tax fund to account for this activity in the General fund and eliminate the transfers to the General fund from the trust fund for 2006 and 2007 as follows:

General Fund	2006	2007
Municipal Income Taxes	\$1,236,955	\$1,238,601
General Government expenditures	70,141	77,350
Operating transfers in	(1,000,000)	(811,251)
Beginning fund balance	29,192	196,006

- Debt principal payments of \$16,951 in the Permissive Tax fund were misclassified as Transportation expense in 2006 and Interest and Fiscal Charges in 2007.
- Debt principal payments in 2006 of \$101,447 in the Enterprise funds were misclassified as Capital Outlay and Interest and Fiscal charges. Debt Interest and Fiscal Charges in 2007 of \$120,545 in the Enterprise funds were misclassified as Capital Outlay and Redemption of Principal.
- Revenues received for the bail bondsman contract, \$11,875 in 2006 and \$10,000 in 2007, were classified as Fines, Licenses and Permits and should have been classified as Charges for Services.
- Fire Contract revenue in the amount of \$380,855 was classified as Property Tax Revenues in 2006 and should have been classified as Charges for Services.
- Permissive MVL Tax in the amount of \$22,687 in 2007 and \$28,506 in 2006 were classified as Miscellaneous Receipts and should have been classified as Intergovernmental Revenues

The above examples resulted in 15 reclassifications and 3 audit adjustments. As a result, the financial statements did not correctly reflect the financial activity of the Village.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Handbook Appendix A-2 Village Chart of Accounts issued by the Auditor of State. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and management to ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2007-002

Noncompliance Citation and Material Weakness

In 2007 the Village was the beneficiary of \$525,545 of Ohio Water Development Authority (OWDA) money sent directly to the vendor by OWDA. This activity was not recorded on the ledgers of the Village. Since OWDA paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in the Sewer Billing Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Sewer Billing fund by \$362,638, contrary to R.C. 5705.41(B), which requires all expenditures to be appropriated.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records and appropriate funds for the expenditures. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

Officials' Response:

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



Mary Taylor, CPA
Auditor of State

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
JANUARY 13, 2009**