



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.

Mary Taylor

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November 30, 2010

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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 Village of Swanton, Fulton County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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, 2009 and 2008 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, 2009 and 2008, 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 Village of Swanton, Fulton County, as of December 31, 2009 and 2008, 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 November 30, 2010, 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

November 30, 2010

**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, 2009**

	<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	\$139,901	\$52,572		\$192,473
Municipal Income Tax	1,128,488			1,128,488
Intergovernmental	180,530	178,751		359,281
Special Assessments	64,975		\$42,900	107,875
Charges for Services	19,515	1,924	38,922	60,361
Fines, Licenses and Permits	51,265			51,265
Earnings on Investments	21,581	1,639		23,220
Miscellaneous	213,865	866		214,731
	<u>1,820,120</u>	<u>235,752</u>	<u>81,822</u>	<u>2,137,694</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	582,659			582,659
Leisure Time Activities		55,450		55,450
Community Environment	9,500			9,500
Basic Utility Service	38,107			38,107
Transportation	79,784	197,158		276,942
General Government	356,066			356,066
Debt Service:				
Redemption of Principal		25,176	316,000	341,176
Interest and Fiscal Charges			10,925	10,925
Capital Outlay			317,542	317,542
	<u>1,066,116</u>	<u>277,784</u>	<u>644,467</u>	<u>1,988,367</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>754,004</u>	<u>(42,032)</u>	<u>(562,645)</u>	<u>149,327</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			200,000	200,000
Sale of Fixed Assets	1,307			1,307
Transfers-In			350,000	350,000
Transfers-Out	(375,000)			(375,000)
Advances-In	10,000			10,000
Advances-Out	(10,000)			(10,000)
Other Financing Uses	(27,090)			(27,090)
	<u>(400,783)</u>		<u>550,000</u>	<u>149,217</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	353,221	(42,032)	(12,645)	298,544
Fund Cash Balances, January 1	2,468,701	519,391	430,891	3,418,983
Fund Cash Balances, December 31	<u>\$2,821,922</u>	<u>\$477,359</u>	<u>\$418,246</u>	<u>\$3,717,527</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, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,321,767
Operating Cash Disbursements:	
Personal Services	759,477
Employee Fringe Benefits	311,817
Contractual Services	374,756
Supplies and Materials	382,193
Other	4,942
Total Operating Cash Disbursements	1,833,185
Operating Income	488,582
Non-Operating Cash Receipts:	
Property and Other Local Taxes	84,260
Intergovernmental	11,853
Sale of Notes	795,000
Miscellaneous Receipts	1,624
Total Non-Operating Cash Receipts	892,737
Non-Operating Cash Disbursements:	
Capital Outlay	37,299
Redemption of Principal	840,000
Interest and Other Fiscal Charges	232,631
Other Non-Operating Cash Disbursements	34,279
Total Non-Operating Cash Disbursements	1,144,209
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers and Advances	237,110
Transfers-In	25,000
Advances-In	10,000
Advances-Out	(10,000)
Net Cash Receipts Over Cash Disbursements	262,110
Fund Cash Balances, January 1	1,944,018
Fund Cash Balances, December 31	\$2,206,128
Reserve for Encumbrances, December 31	\$18,757

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, 2008**

	<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	\$132,883	\$53,789		\$186,672
Municipal Income Tax	1,201,087			1,201,087
Intergovernmental	218,071	182,012		400,083
Special Assessments	59,092		\$48,967	108,059
Charges for Services	10,273	1,501	32,543	44,317
Fines, Licenses and Permits	60,572			60,572
Earnings on Investments	111,327	18,325		129,652
Miscellaneous	7,291	815		8,106
Total Cash Receipts	1,800,596	256,442	81,510	2,138,548
Cash Disbursements:				
Current:				
Security of Persons and Property	743,632			743,632
Leisure Time Activities		49,571		49,571
Basic Utility Service	74,570			74,570
Transportation	69,437	199,773		269,210
General Government	374,816			374,816
Debt Service:				
Redemption of Principal		16,951	356,000	372,951
Interest and Fiscal Charges			19,331	19,331
Capital Outlay			190,685	190,685
Total Cash Disbursements	1,262,455	266,295	566,016	2,094,766
Total Cash Receipts Over/(Under) Cash Disbursements	538,141	(9,853)	(484,506)	43,782
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			316,000	316,000
Other Debt Proceeds			74,024	74,024
Transfers-In			200,000	200,000
Transfers-Out	(200,000)			(200,000)
Other Financing Uses	(24,900)			(24,900)
Total Other Financing Receipts / (Disbursements)	(224,900)		590,024	365,124
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	313,241	(9,853)	105,518	408,906
Fund Cash Balances, January 1	2,155,460	529,244	325,373	3,010,077
Fund Cash Balances, December 31	\$2,468,701	\$519,391	\$430,891	\$3,418,983
Reserve for Encumbrances, December 31	\$19,000			\$19,000

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, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,183,382
Operating Cash Disbursements:	
Personal Services	789,306
Employee Fringe Benefits	316,768
Contractual Services	417,862
Supplies and Materials	244,820
Other	3,796
Total Operating Cash Disbursements	1,772,552
Operating Income	410,830
Non-Operating Cash Receipts:	
Property and Other Local Taxes	83,097
Intergovernmental	23,017
Special Assessments	5,257
Sale of Bonds	840,000
Miscellaneous Receipts	1,979
Total Non-Operating Cash Receipts	953,350
Non-Operating Cash Disbursements:	
Capital Outlay	8,456
Redemption of Principal	976,000
Interest and Other Fiscal Charges	154,085
Other Non-Operating Cash Disbursements	12,543
Total Non-Operating Cash Disbursements	1,151,084
Net Cash Receipts Over Cash Disbursements	213,096
Fund Cash Balances, January 1	1,730,922
Fund Cash Balances, December 31	\$1,944,018
Reserve for Encumbrances, December 31	\$6,120

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, 2009 AND 2008**

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, (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. 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 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.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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 and 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.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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 2009 and 2008 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 Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$5,923,655	\$4,863,001
Certificates of deposit		500,000
Total deposits	<u>\$5,923,655</u>	<u>\$5,363,001</u>

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,812,685	\$1,821,427	\$8,742
Special Revenue	289,172	235,752	(53,420)
Capital Projects	968,459	631,822	(336,637)
Enterprise	5,601,083	3,239,504	(2,361,579)
Total	\$8,671,399	\$5,928,505	(\$2,742,894)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,815,008	\$1,468,206	\$346,802
Special Revenue	321,950	277,784	44,166
Capital Projects	1,270,479	644,467	626,012
Enterprise	6,050,131	2,996,151	3,053,980
Total	\$9,457,568	\$5,386,608	\$4,070,960

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,913,800	\$1,800,596	(\$113,204)
Special Revenue	277,500	256,442	(21,058)
Capital Projects	757,749	671,534	(86,215)
Enterprise	3,138,100	3,136,732	(1,368)
Total	\$6,087,149	\$5,865,304	(\$221,845)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,928,977	\$1,506,355	\$422,622
Special Revenue	324,050	266,295	57,755
Capital Projects	1,040,676	566,016	474,660
Enterprise	3,507,191	2,929,756	577,435
Total	\$6,800,894	\$5,268,422	\$1,532,472

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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 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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes	\$995,000	5.00%
OWDA Water Plant Loan	990,437	7.00%
OWDA Sewer Separation Loan	474,439	2.75%
OPWC Ivy, Various Other Streets Loan	65,800	0.00%
OPWC Dodge Street Loan	27,437	0.00%
OPWC E. Garfield Street Loan	9,502	0.00%
Total	<u>\$2,562,615</u>	

Bond Anticipation Notes of \$995,000 at 5 percent due August 10, 2010 for water and sewer improvements are rolled over each year with no preset requirement for reducing the total notes outstanding.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

The Village received a loan from Ohio Public Works Commission (OPWC) for improvements to Ivy, Miller, Walnut, Cass and Cherry Streets in October 2008. The loan of \$74,025 at 0 percent is to be repaid in semiannual installments over 9 years.

The Village received a loan from Ohio Public Works Commission (OPWC) for improvements to Dodge Street in October 2007. The loan of \$32,425 at 0 percent is to be repaid in semiannual installments over 13 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	Bond Anticipation Note	OWDA Loan Water Plant	OWDA Loan Sewer Separation	OPWC Loan Ivy, Various Streets	OPWC Loan Dodge Street	OPWC Loan Garfield Street
Dec.31:						
2010	\$1,044,750	\$171,721	\$34,342	\$8,225	\$2,494	\$655
2011		172,509	34,342	8,225	2,494	655
2012		173,359	34,342	8,225	2,494	655
2013		174,275	34,342	8,225	2,494	655
2014		175,262	34,342	8,225	2,494	655
2015-2027		442,829	429,278	24,675	14,967	6,227
Total	<u>\$1,044,750</u>	<u>\$1,309,955</u>	<u>\$600,988</u>	<u>\$65,800</u>	<u>\$27,437</u>	<u>\$9,502</u>

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the 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.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, 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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

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 included the Village and the Swanton Local School District. Projects undertaken by the Joint Recreation Board were approved by the Board of Education and Village Council. The Joint Recreation Board consisted 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 was limited to its representation on the Joint Recreation Board. Effective February 2009, the Swanton Local School District passed a resolution to withdraw from the Joint Recreation Board. This action essentially ended 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 (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 30, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

November 30, 2010

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

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 Income Tax Fund for 2009 and 2008 as follows:

General Fund	2009	2008
Municipal Income Taxes	\$1,128,488	\$1,201,087
General Government Expenditures	65,044	72,052
Operating Transfers In	(500,000)	
Beginning Fund Balance	1,675,041	546,006

- Debt principal payments in the amount of \$25,000 in the Water Fund and \$25,176 in the Permissive Motor Vehicle License Tax Fund in 2009 and \$16,591 in the Permissive Motor Vehicle License Tax Fund in 2008 were misclassified. Debt proceed receipts in the amount of \$74,025 in the Capital Projects Fund were misclassified in 2008 as intergovernmental receipts.
- Homestead and rollback receipts in the amount of \$17,061 in 2009 were not allocated to the proper funds. Homestead and rollback receipts in the amount of \$8,196 in 2008 were misclassified as property and other local tax receipts.
- Property tax receipts in the amount of \$75,593 in 2008 were misclassified as intergovernmental receipts in the Fire and Rescue Fund.
- County motor vehicle license tax receipts in the amount of \$15,555 in 2009 and \$1,953 in 2008 were not allocated to the proper funds.
- Permissive motor vehicle tax receipts in the amount of \$18,362 in 2008 were not allocated to the proper funds. Permissive motor vehicle license tax receipts in the amount of \$22,642 in 2009 and \$2,212 in 2008 were misclassified as intergovernmental receipts in 2009 and property and other local tax receipts in 2008.
- Fire contract receipts in the amount of \$5,691 in 2009 and \$1,283 in 2008 were not correctly allocated between the Fire and Rescue Fund and the Capital Projects Fund for the purchase of future fire equipment.

**FINDING NUMBER 2009-001
(Continued)**

The above examples resulted in sixteen audit adjustments. As a result, the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and the Village's accounting records have been adjusted to reflect these amounts in the correct funds and accounts.

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.

Officials' Response:

We did not receive a response from Officials to this finding.

VILLAGE OF SWANTON
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Material Weakness - Monitoring of Financial Activity	No	Repeated as Finding Number 2009-001 in this report.

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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
DECEMBER 30, 2010**