



**Auditor of State  
Betty Montgomery**



VILLAGE OF SWANTON  
FULTON COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Honorable Mayor and 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 a February 2, 2005, 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 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 black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 31, 2006

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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 Honorable Mayor and 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, 2005 and 2004. 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. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 August 31, 2006, 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.



**Betty Montgomery**  
Auditor of State

August 31, 2006



**VILLAGE OF SWANTON  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$113,135	\$47,172		\$160,307
Municipal Income Tax	1,088,153			1,088,153
Intergovernmental	270,053	181,041		451,094
Special Assessments			\$57,802	57,802
Charges for Services	11,681	1,225		12,906
Fines, Licenses and Permits	45,964			45,964
Earnings on Investments	16,257	48,764		65,021
Miscellaneous	33,362	3,671		37,033
<b>Total Cash Receipts</b>	<b>1,578,605</b>	<b>281,873</b>	<b>57,802</b>	<b>1,918,280</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	497,321			497,321
Public Health Services	315			315
Leisure Time Activities		46,120		46,120
Community Environment	3,418			3,418
Basic Utility Services	50,043			50,043
Transportation	41,870	191,871		233,741
General Government	371,118			371,118
Capital Outlay			26,065	26,065
Debt Service:				
Redemption of Principal		16,951	527,188	544,139
Interest and Other Fiscal Charges			62,975	62,975
<b>Total Cash Disbursements</b>	<b>964,085</b>	<b>254,942</b>	<b>616,228</b>	<b>1,835,255</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>614,520</b>	<b>26,931</b>	<b>(558,426)</b>	<b>83,025</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes			470,000	470,000
Transfers-In			200,000	200,000
Transfers-Out	(210,000)			(210,000)
Advance-In			20,000	20,000
Other Financing Sources			12,500	12,500
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(210,000)</b>		<b>702,500</b>	<b>492,500</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements</b>	<b>404,520</b>	<b>26,931</b>	<b>144,074</b>	<b>575,525</b>
<b>Fund Cash Balance, January 1</b>	<b>544,201</b>	<b>331,063</b>	<b>186,607</b>	<b>1,061,871</b>
<b>Fund Cash Balance, December 31</b>	<b>\$948,721</b>	<b>\$357,994</b>	<b>\$330,681</b>	<b>\$1,637,396</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$21,710</b>	<b>\$2,750</b>	<b>\$22,952</b>	<b>\$47,412</b>

*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 FISCAL YEAR ENDING DECEMBER 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,582,826
Miscellaneous	4,062
	1,586,888
<b>Operating Cash Disbursements:</b>	
Current:	
Personal Services	1,174,591
Travel Transportation	34
Contractual Services	319,775
Supplies and Materials	155,691
Capital Outlay	126,581
	1,776,672
Total Operating Cash Disbursements	1,776,672
Operating Loss	(189,784)
<b>Non-Operating Receipts/Disbursements</b>	
Property and Other Local Taxes	411,947
Intergovernmental	76,335
Special Assessments	5,718
Sale of Notes	1,010,000
Redemption of Principal	(1,066,533)
Interest and Other Fiscal Charges	(73,519)
Other Financing Sources	5,803
	369,751
Total Non-Operating Receipts/Disbursements	369,751
Income Before Interfund Transfers and Advances	179,967
Transfers-In	10,000
Advance-Out	(20,000)
	169,967
Net Receipts Over Disbursements	169,967
Fund Cash Balance, January 1	804,947
<b>Fund Cash Balance, December 31</b>	<b>\$974,914</b>
Reserve for Encumbrances, December 31	<b>\$17,524</b>

*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 FISCAL YEAR ENDING DECEMBER 31, 2004**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$110,197	\$46,023		\$156,220
Municipal Income Tax	1,060,890			1,060,890
Intergovernmental	171,422	260,004	\$193,958	625,384
Special Assessments			59,405	59,405
Charges for Services	45,930	1,400		47,330
Fines, Licenses and Permits	69,702			69,702
Earnings on Investments	5,586	16,758		22,344
Miscellaneous	11,388	2,306		13,694
<b>Total Cash Receipts</b>	<b>1,475,115</b>	<b>326,491</b>	<b>253,363</b>	<b>2,054,969</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	580,285			580,285
Public Health Services	745			745
Community Environment	3,922	54,885		58,807
Basic Utility Services	80,987			80,987
Transportation	34,324	212,568		246,892
General Government	433,805			433,805
Capital Outlay		133,032	586,555	719,587
Debt Service:				
Redemption of Principal		16,951	578,126	595,077
Interest and Other Fiscal Charges			112,981	112,981
<b>Total Cash Disbursements</b>	<b>1,134,068</b>	<b>417,436</b>	<b>1,277,662</b>	<b>2,829,166</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>341,047</b>	<b>(90,945)</b>	<b>(1,024,299)</b>	<b>(774,197)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes			490,000	490,000
Other Debt Proceeds- OPWC Loan			13,106	13,106
Sale of Fixed Assets	1,205			1,205
Transfers-In			243,600	243,600
Transfers-Out	(243,600)			(243,600)
Advance-In			40,000	40,000
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(242,395)</b>		<b>786,706</b>	<b>544,311</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>98,652</b>	<b>(90,945)</b>	<b>(237,593)</b>	<b>(229,886)</b>
<b>Fund Cash Balance, January 1</b>	<b>445,549</b>	<b>422,008</b>	<b>424,200</b>	<b>1,291,757</b>
<b>Fund Cash Balance, December 31</b>	<b>\$544,201</b>	<b>\$331,063</b>	<b>\$186,607</b>	<b>\$1,061,871</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$21,384</b>	<b>\$500</b>	<b>\$30,204</b>	<b>\$52,088</b>

*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 FISCAL YEAR ENDING DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,430,541
Miscellaneous	6,874
	1,437,415
Total Operating Cash Receipts	1,437,415
<b>Operating Cash Disbursements:</b>	
Current:	
Personal Services	1,112,258
Travel Transportation	666
Contractual Services	371,380
Supplies and Materials	132,990
Other	25
Capital Outlay	17,623
	1,634,942
Total Operating Cash Disbursements	1,634,942
Operating Loss	(197,527)
<b>Non-Operating Receipts/Disbursements</b>	
Property and Other Local Taxes	390,437
Intergovernmental	22,919
Special Assessments	14,489
Sale of Notes	1,030,000
Sale of Fixed Assets	4,161
Redemption of Principal	(1,065,000)
Interest and Other Fiscal Charges	(20,123)
Other Financing Uses	(202)
	376,681
Total Non-Operating Receipts/Disbursements	376,681
Income Before Interfund Advances	179,154
Advance-Out	(40,000)
Net Receipts Over Disbursements	139,154
Fund Cash Balance, January 1	665,793
<b>Fund Cash Balance, December 31</b>	<b>\$804,947</b>
Reserve for Encumbrances, December 31	\$49,753

*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, 2005 AND 2004**

**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 governs the Village. 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 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, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Permissive Tax Fund – This fund receives Permissive License tax and interest revenues 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 from general obligation 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 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 the cost of providing this utility.

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

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

**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. 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.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

**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:

	2005	2004
Demand Deposits	<u>\$2,612,310</u>	<u>\$1,866,818</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, 2005 AND 2004  
(Continued)**

**3. PRIOR PERIOD RESTATEMENT**

The Village reported the Income Tax Fund as an Expendable Trust Fund in 2003. This fund was not correctly categorized in 2003 and the following is the adjustment to the December 31, 2003 fund type balances to properly categorize this fund for fiscal year 2004:

Explanation	General	Expendable Trust
Fund Balance 12/31/2003	\$436,631	\$8,918
Adjustment to move Income Tax Fund to General Fund	8,918	(8,918)
Restated Balance 1/01/2004	<u>\$445,549</u>	<u>\$0</u>

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,414,871	\$1,578,605	\$163,734
Special Revenue	214,601	281,873	67,272
Capital Projects	769,199	760,302	(8,897)
Enterprise	3,054,355	3,106,691	52,336
Total	<u>\$5,453,026</u>	<u>\$5,727,471</u>	<u>\$274,445</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,357,834	\$1,195,795	\$162,039
Special Revenue	321,050	257,692	63,358
Capital Projects	831,354	639,180	192,174
Enterprise	3,229,958	2,954,248	275,710
Total	<u>\$5,740,196</u>	<u>\$5,046,915</u>	<u>\$693,281</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,245,050	\$1,476,320	\$231,270
Special Revenue	315,100	326,491	11,391
Capital Projects	1,192,614	1,040,069	(152,545)
Enterprise	2,787,734	2,899,421	111,687
Total	<u>\$5,540,498</u>	<u>\$5,742,301</u>	<u>\$201,803</u>



**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. BUDGETARY ACTIVITY – (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,514,689	\$1,399,052	\$115,637
Special Revenue	452,235	417,936	34,299
Capital Projects	1,541,234	1,307,866	233,368
Enterprise	3,297,981	2,810,020	487,961
Total	\$6,806,139	\$5,934,874	\$871,265

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**6. 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, 2005 AND 2004  
(Continued)**

**7. DEBT**

Debt outstanding at December 31, 2005, was as follows:

Bond Anticipation Notes of \$1,480,000 at 3.9 percent due 8/24/2006 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.

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,294,778	7.00%
OPWC Hallet Street Loan	67,805	0.00%
OPWC E. Garfield Street Loan	12,123	0.00%
Total	\$1,374,706	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The interest rate shown above includes an interest rate subsidy the OWDA began in January 2004. The loan will be repaid in variable semiannual installments, including interest, over 25 years.

The Village received a loan from Ohio Public Works Commission in a cooperative agreement with the Lucas County Engineers 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, follows:

Year ending December 31:	OWDA Loan	OPWC Loan Hallet Street	OPWC Loan E. Garfield Street
2006	\$169,378	\$16,951	\$655
2007	169,983	16,951	655
2008	170,637	16,951	656
2009	171,342	16,952	655
2010	172,100		655
2011-2024	1,052,184		8,847
Total	\$1,905,624	\$67,805	\$12,123

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters 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. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RETIREMENT SYSTEMS – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, 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, 2005.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

**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 43558-1303

To the Honorable Mayor and 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, 2005 and 2004, and have issued our report thereon dated August 31, 2006, 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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*. In a separate letter to the Village's management dated August 31, 2006, we reported a matter related to noncompliance we deemed immaterial.

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Village of Swanton  
Fulton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and Village Council. It is not intended for 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

August 31, 2006

VILLAGE OF SWANTON  
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Reportable condition- Performance of bank reconciliations and posting activities	No	Mostly corrected, will reissue as a management letter comment.







**Auditor of State  
Betty Montgomery**

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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  
OCTOBER 3, 2006**