



**SWANCREEK TOWNSHIP
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

**SWANCREEK TOWNSHIP
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Swanecreek Township
Fulton County
5565 County Road D
Delta, Ohio 43515-9619

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swanecreek Township, Fulton County, Ohio (the Township), as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 Township 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 Township 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 discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Swan Creek Township, Fulton County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge and Fire Levy funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009, on our consideration of the Township'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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

December 28, 2009

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of the Swancreek Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net assets of governmental activities increased \$81,141 or 7.3 percent change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund.
- The Township's general receipts are primarily property taxes and state mandated intergovernmental revenues. Property tax receipts represent 52 percent and intergovernmental receipts represent 41.1 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the governmental activities include the Township's programs and services, including general government services and road and bridge maintenance. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported in governmental funds

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Townships programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax, Road and Bridge, Fire Levy, and Public Works Projects. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	\$1,191,167	\$1,110,026
Total Assets	\$1,191,167	\$1,110,026
Net Assets		
Restricted for:		
Other Purposes	694,625	648,185
Unrestricted	496,542	461,841
Total Net Assets	\$1,191,167	\$1,110,026

As mentioned previously, net assets of governmental activities increased \$81,141 or 7.3 percent during 2008.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities.

	Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$26,847	\$31,122
Operating Grants and Contributions	204,151	163,005
Capital Grants and Contributions	126,536	
Total Program Receipts	<u>357,534</u>	<u>194,127</u>
General Receipts:		
Property and Other Local Taxes	529,102	545,582
Grants and Entitlements Not Restricted to Specific Programs	92,147	131,474
Interest	22,963	36,940
Miscellaneous	16,573	35,534
Total General Receipts	<u>660,785</u>	<u>749,530</u>
Total Receipts	<u>1,018,319</u>	<u>943,657</u>
Disbursements:		
General Government	263,523	242,038
Public Safety	117,549	88,495
Public Works	309,293	578,000
Health	38,409	28,154
Capital Outlay	181,156	57,669
Principal Retirement	23,000	22,000
Interest and Fiscal Charges	4,248	5,212
Total Disbursements	<u>937,178</u>	<u>1,021,568</u>
Change in Net Assets	81,141	(77,911)
Net Assets, January 1	1,110,026	1,187,937
Net Assets, December 31	<u>\$1,191,167</u>	<u>\$1,110,026</u>

Program receipts represent 35 percent of total receipts and are primarily comprised of cemetery and zoning fees, restricted intergovernmental receipts such as motor vehicle license, gas tax, permissive motor vehicle receipts, and OPWC receipts.

General receipts represent 65.3 percent of the Township's total receipts, and of this amount, over 79.6 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Fiscal Officer and Trustees, as well as internal activities such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs of General Fund unrestricted receipts.

Disbursements for Public Safety are the costs of providing fire service to the Township's residents.

Disbursements for Public Works are the costs of maintaining and repairing Township roads and bridges.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works, which accounts for 33 percent of all governmental disbursements. General government also represents a significant cost, about 28.1 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$263,523	\$259,012	\$242,038	\$237,106
Public Safety	117,549	97,642	88,495	80,208
Public works	309,293	125,049	578,000	423,282
Health	38,409	16,073	28,154	1,964
Capital Outlay	181,156	54,620	57,669	57,669
Principal Retirement	23,000	23,000	22,000	22,000
Interest and Fiscal Charges	4,248	4,248	5,212	5,212
Total Expenses	\$937,178	\$579,644	\$1,021,568	\$827,441

The dependence upon property tax receipts is apparent as over 56.5 percent of governmental activities are supported through these general receipts.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The Township's Funds

Total governmental funds had receipts and other financing sources of \$1,018,319 and disbursements of \$937,178 for the year 2008.

The greatest change within governmental funds occurred within the Gasoline Tax Fund. The Township's balances have increased, due primarily to a decrease in Public Works expenses.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2008, the Township did not amend its General Fund budget.

Final disbursements were budgeted at \$450,061 while actual disbursements were \$281,389. Large variance was due to the possibility of doing improvements to the Administration building which were not done in 2008.

Debt

At December 31, 2008, the Township's outstanding debt included \$74,000 for a loan to pay for the construction of the administrative building and \$60,834 capital lease for the 2007 International Tandem Truck. For further information regarding the Township's debt, refer to notes to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely while costs will undoubtedly rise. We reviewed the disbursement history of the Township. We are always looking at ways to save the Township money while keeping up with the service and safety of our employees and residents.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dawn Wheatley, Fiscal Officer, Swancreek Township, 5565 County Road D, Delta, Ohio 43515-9619.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Net Assets - Cash Basis
December, 31, 2008*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,191,167</u></u>
Net Assets	
Restricted for:	
Permanent Fund:	
Expendable	3,395
Nonexpendable	2,176
Other Purposes	689,054
Unrestricted	<u>496,542</u>
<i>Total Net Assets</i>	<u><u>\$1,191,167</u></u>

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008*

	General	Gasoline Tax	Road And Bridge	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$496,542	\$153,607	\$144,825	\$306,207	\$89,986	\$1,191,167
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	496,542					496,542
Special Revenue Funds		153,607	144,825	306,207	84,415	689,054
Permanent Fund					5,571	5,571
<i>Total Fund Balances</i>	\$496,542	\$153,607	\$144,825	\$306,207	\$89,986	\$1,191,167

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008*

	General	Gasoline Tax	Road And Bridge	Fire Levy	Public Works Projects	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$185,499		\$217,887	\$125,716			\$529,102
Licenses, Permits and Fees	4,511					\$20,215	24,726
Intergovernmental	86,739	\$104,782	37,402	22,305	\$126,536	41,306	419,070
Interest	22,963	2,209				1,556	26,728
Other	13,639		195			2,120	15,954
<i>Total Receipts</i>	<u>313,351</u>	<u>106,991</u>	<u>255,484</u>	<u>148,021</u>	<u>126,536</u>	<u>65,197</u>	<u>1,015,580</u>
Disbursements							
Current:							
General Government	254,141		6,474	2,908			263,523
Public Safety				117,549			117,549
Public Works		38,864	229,037			41,392	309,293
Health						38,409	38,409
Capital Outlay				52,994	126,536	1,626	181,156
Debt Service:							
Principal Retirement	23,000						23,000
Interest and Fiscal Charges	4,248						4,248
<i>Total Disbursements</i>	<u>281,389</u>	<u>38,864</u>	<u>235,511</u>	<u>173,451</u>	<u>\$126,536</u>	<u>81,427</u>	<u>937,178</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,962</u>	<u>68,127</u>	<u>19,973</u>	<u>(25,430)</u>		<u>(16,230)</u>	<u>78,402</u>
Other Financing Sources							
Other Financing Sources	2,739						2,739
<i>Net Change in Fund Balances</i>	34,701	68,127	19,973	(25,430)		(16,230)	81,141
<i>Fund Balances Beginning of Year</i>	<u>461,841</u>	<u>85,480</u>	<u>124,852</u>	<u>331,637</u>		<u>106,216</u>	<u>1,110,026</u>
<i>Fund Balances End of Year</i>	<u>\$496,542</u>	<u>\$153,607</u>	<u>\$144,825</u>	<u>\$306,207</u>		<u>\$89,986</u>	<u>\$1,191,167</u>

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$220,502	\$214,500	\$185,499	(\$29,001)
Licenses, Permits and Fees	5,000	5,000	4,511	(489)
Intergovernmental	72,570	98,670	86,739	(11,931)
Interest	38,000	38,000	22,963	(15,037)
Other	27,000	27,000	13,639	(13,361)
<i>Total Receipts</i>	<u>363,072</u>	<u>383,170</u>	<u>313,351</u>	<u>(69,819)</u>
Disbursements				
Current:				
General Government	319,799	319,799	254,141	65,658
Public Safety	50	50		50
Health	500	500		500
Capital Outlay	101,500	101,500		101,500
Debt Service:				
Principal Retirement	23,000	23,000	23,000	
Interest and Fiscal Charges	5,212	5,212	4,248	964
<i>Total Disbursements</i>	<u>450,061</u>	<u>450,061</u>	<u>281,389</u>	<u>168,672</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(86,989)</u>	<u>(66,891)</u>	<u>31,962</u>	<u>98,853</u>
Other Financing Sources				
Other Financing Sources	770	1,000	2,739	1,739
<i>Net Change in Fund Balance</i>	(86,219)	(65,891)	34,701	100,592
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>460,703</u>	<u>460,703</u>	<u>460,703</u>	
Prior Year Encumbrances Appropriated	1,138	1,138	1,138	
<i>Fund Balance End of Year</i>	<u><u>\$375,622</u></u>	<u><u>\$395,950</u></u>	<u><u>\$496,542</u></u>	<u><u>\$100,592</u></u>

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$96,500	\$96,500	\$104,782	\$8,282
Interest	3,000	3,000	2,209	(791)
<i>Total Receipts</i>	<u>99,500</u>	<u>99,500</u>	<u>106,991</u>	<u>7,491</u>
Disbursements				
Current:				
Public Works	82,000	82,000	38,864	43,136
Capital Outlay	30,000	30,000		30,000
<i>Total Disbursements</i>	<u>112,000</u>	<u>112,000</u>	<u>38,864</u>	<u>73,136</u>
<i>Net Change in Fund Balance</i>	(12,500)	(12,500)	68,127	80,627
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>85,480</u>	<u>85,480</u>	<u>85,480</u>	
<i>Fund Balance End of Year</i>	<u><u>\$72,980</u></u>	<u><u>\$72,980</u></u>	<u><u>\$153,607</u></u>	<u><u>\$80,627</u></u>

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road And Bridge
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$242,000	\$242,000	\$217,887	(\$24,113)
Intergovernmental	14,500	14,500	37,402	22,902
Other	7,000	7,000	195	(6,805)
<i>Total Receipts</i>	<u>263,500</u>	<u>263,500</u>	<u>255,484</u>	<u>(8,016)</u>
Disbursements				
Current:				
General Government	7,500	7,500	6,474	1,026
Public Works	354,440	354,440	229,037	125,403
Capital Outlay	25,000	25,000		25,000
<i>Total Disbursements</i>	<u>386,940</u>	<u>386,940</u>	<u>235,511</u>	<u>151,429</u>
<i>Net Change in Fund Balance</i>	(123,440)	(123,440)	19,973	143,413
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>122,713</u>	<u>122,713</u>	<u>122,713</u>	
Prior Year Encumbrances Appropriated	<u>2,139</u>	<u>2,139</u>	<u>2,139</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1,412</u></u>	<u><u>\$1,412</u></u>	<u><u>\$144,825</u></u>	<u><u>\$143,413</u></u>

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Levy
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$137,000	\$137,000	\$125,716	(\$11,284)
Intergovernmental	8,300	8,300	22,305	14,005
<i>Total Receipts</i>	<u>145,300</u>	<u>145,300</u>	<u>148,021</u>	<u>2,721</u>
Disbursements				
Current:				
General Government	3,200	3,200	2,908	292
Public Safety	150,000	150,000	117,549	32,451
Capital Outlay	250,000	250,000	52,994	197,006
<i>Total Disbursements</i>	<u>403,200</u>	<u>403,200</u>	<u>173,451</u>	<u>229,749</u>
<i>Net Change in Fund Balance</i>	(257,900)	(257,900)	(25,430)	232,470
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>331,637</u>	<u>331,637</u>	<u>331,637</u>	
<i>Fund Balance End of Year</i>	<u><u>\$73,737</u></u>	<u><u>\$73,737</u></u>	<u><u>\$306,207</u></u>	<u><u>\$232,470</u></u>

See accompanying notes to the basic financial statements

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1 – Reporting Entity

Swan creek Township, Fulton County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the York Township, Providence Township, and The Village of Swanton for fire protection. Police protection is provided by the Fulton County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township does not have component units.

C. Public Entity Risk Pools

The Township participates in a public entity risk pool. This organization is Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property, casualty and liability coverage. Note 6 to the financial statements provides additional information for this risk pool.

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

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. All of the Township's activity is reported as governmental activity. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions

The statement of net assets presents the cash and investment balances, of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All the Township's funds are categorized as governmental.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Fire Levy, and Public Works Projects funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for construction, maintaining and repair of Township roads. The Fire Levy Fund is used to account for tax money which the Township can only use to provide fire and EMS services to the Township residents. The Public Works Projects Fund is used to account for projects funded in part with Ohio Public Works Commission grants.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2008, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$22,963 and \$3,765 assigned to other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent *Cemetery Bequests left by residents*.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for cemetery flowers from cemetery bequests. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, gasoline tax, road and bridge, and fire levy are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no outstanding encumbrances at December 31, 2008.

Note 4 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 4 – Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Township's bank balance of \$28,083 was exposed to custodial credit risk.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$ 1,177,189</u>	3 months or less

The STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was 1.2 mills, per \$1,000 of assessed values. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$173,123,870
Public Utility Property	3,604,290
Tangible Personal Property	47,870
Total Assessed Value	<u><u>\$176,776,030</u></u>

Note 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 6 – Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$11,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2007	\$15,675
2008	\$12,885

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contribution vest over five years at 20 percent per year). Under the member directed plan members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plan. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-46422 or by calling (614) 222-6705 or (800)-222-2377.

For the year ending December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2008 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contribution.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$22,945, \$20,586, and \$19,072 respectively. The full amount has been contributed for 2008, 2007, and 2006.

Note 8 - Post employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 14 percent of covered payroll; 7 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

Note 8 - Post employment Benefits (Continued)

increases. Health care premiums were assumed to increase between 0.5 percent and 4 percent annually for the next seven years and 4 percent annually in subsequent years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$11,472. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007 (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

Note 9 – Notes Payable

A summary of the note transactions for the year ended December 31, 2008, follows:

	<u>Interest Rate</u>	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/08</u>
<u>Governmental Activities</u>	4.38%	<u>\$97,000</u>		<u>\$23,000</u>	<u>\$74,000</u>

The Township issued general obligation notes on December 18, 2001, for the purpose of constructing, equipping, and furnishing township offices with related site improvements.

The notes are collateralized solely by the Township's taxing authority.

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 10 – LEASES

The Township has entered a lease-purchase agreement with Ohio Township Association for the purchase of a truck and accessories. The Township disbursed \$24,482 to pay lease costs for the year ended December 31, 2008. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2009	24,482
2010	24,481
2011	12,241
Total	<u>\$60,834</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The Township appoints all members of the Board of Trustees of the Swancreek Water District (the District). During 1997 the Township loaned the District \$51,403 for the purpose of conducting a feasibility study, for the construction, maintenance, repair, and operation of a water system. As of December 31, 2008, the District owes the Township \$40,285.

The Township currently does not charge the District rent for use of the Township building offices.



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*

Swan creek Township
Fulton County
5565 County Road D
Delta, Ohio 43515-9619

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swan creek Township, Fulton County, (the Township) as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 28, 2009, wherein we noted the Township prepared its financial statements on the cash basis. We also noted the Township 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 Township. 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 Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 Township's ability to initiate, authorize, record, process, or report financial data reliably in

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township'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 internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is a material weakness.

We also noted an internal control matter that we reported to the Township's management in a separate letter dated December 29, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 that we must report under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

December 28, 2009

**SWANCREEK TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

Material Weakness

Reporting Ohio Public Works Grants

In 2008, the Township was the beneficiary of \$126,536 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Township. Since OPWC paid the invoices, the Township 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 Township applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund.

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

Officials Response

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



Mary Taylor, CPA
Auditor of State

SWANCREEK TOWNSHIP

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
FEBRUARY 2, 2010**