



Dave Yost • Auditor of State



VILLAGE OF SWANTON  
FULTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Swanton, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Swanton, Fulton County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Village reclassified its presentation of the Fire and Rescue Fund.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 9, 2014

**VILLAGE OF SWANTON  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$110,407	\$138,008		\$248,415
Municipal Income Tax	1,206,385			1,206,385
Intergovernmental	98,309	188,665	\$129,586	416,560
Special Assessments	66,696			66,696
Charges for Services	22,970	574,215	31,456	628,641
Fines, Licenses and Permits	51,964	669		52,633
Earnings on Investments	9,317	541		9,858
Miscellaneous	13,911	8,735		22,646
<i>Total Cash Receipts</i>	<u>1,579,959</u>	<u>910,833</u>	<u>161,042</u>	<u>2,651,834</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	689,779	683,980	86,048	1,459,807
Leisure Time Activities		38,869		38,869
Community Environment	3,900			3,900
Basic Utility Services	44,060			44,060
Transportation	89,348	176,750		266,098
General Government	391,095			391,095
Capital Outlay		10,736	422,934	433,670
Debt Service:				
Principal Retirement		5,360	2,000	7,360
<i>Total Cash Disbursements</i>	<u>1,218,182</u>	<u>915,695</u>	<u>510,982</u>	<u>2,644,859</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>361,777</u>	<u>(4,862)</u>	<u>(349,940)</u>	<u>6,975</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			39,177	39,177
Transfers In			200,000	200,000
Transfers Out	(425,000)			(425,000)
Other Financing Sources	6,647	7,980		14,627
Other Financing Uses	(49,403)			(49,403)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(467,756)</u>	<u>7,980</u>	<u>239,177</u>	<u>(220,599)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(105,979)</u>	<u>3,118</u>	<u>(110,763)</u>	<u>(213,624)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,844,841</u>	<u>742,387</u>	<u>806,630</u>	<u>4,393,858</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	1,722			1,722
Restricted		745,505		745,505
Committed			695,868	695,868
Assigned	240,457			240,457
Unassigned	2,496,683			2,496,683
<i>Fund Cash Balances, December 31</i>	<u>\$2,738,862</u>	<u>\$745,505</u>	<u>\$695,868</u>	<u>\$4,180,235</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,640,159
<b>Operating Cash Disbursements</b>	
Personal Services	343,177
Employee Fringe Benefits	135,882
Contractual Services	351,170
Supplies and Materials	1,040,574
Other	7,700
<i>Total Operating Cash Disbursements</i>	1,878,503
<i>Operating Loss</i>	(238,344)
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	80,000
Special Assessments	3,987
Sale of Notes	665,000
Other Debt Proceeds	698,430
Miscellaneous Receipts	165
Capital Outlay	(343,615)
Principal Retirement	(902,532)
Interest and Other Fiscal Charges	(101,420)
Other Financing Sources	5,399
<i>Total Non-Operating Receipts (Disbursements)</i>	105,414
<i>Income before Transfers</i>	(132,930)
Transfers In	225,000
<i>Net Change in Fund Cash Balances</i>	92,070
<i>Fund Cash Balances, January 1</i>	2,263,587
<i>Fund Cash Balances, December 31</i>	\$2,355,657

*The notes to the financial statements are an integral part of this statement.*



**VILLAGE OF SWANTON  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$117,949	\$146,931		\$264,880
Municipal Income Tax	1,133,942			1,133,942
Intergovernmental	194,927	182,064	\$316,048	693,039
Special Assessments	65,089			65,089
Charges for Services	23,595	608,041	31,456	663,092
Fines, Licenses and Permits	58,578	1,084		59,662
Earnings on Investments	9,778	830		10,608
Miscellaneous	13,033	9,301		22,334
<i>Total Cash Receipts</i>	<u>1,616,891</u>	<u>948,251</u>	<u>347,504</u>	<u>2,912,646</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	702,128	675,738		1,377,866
Leisure Time Activities		54,214		54,214
Basic Utility Services	44,060			44,060
Transportation	83,614	146,883		230,497
General Government	416,218			416,218
Capital Outlay		12,000	585,564	597,564
Debt Service:				
Principal Retirement		10,719	45,655	56,374
Interest and Fiscal Charges			585	585
<i>Total Cash Disbursements</i>	<u>1,246,020</u>	<u>899,554</u>	<u>631,804</u>	<u>2,777,378</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>370,871</u>	<u>48,697</u>	<u>(284,300)</u>	<u>135,268</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			84,709	84,709
Transfers In			200,000	200,000
Transfers Out	(425,000)			(425,000)
Other Financing Uses	(142,962)			(142,962)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(567,962)</u>		<u>284,709</u>	<u>(283,253)</u>
<i>Net Change in Fund Cash Balances</i>	(197,091)	48,697	409	(147,985)
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>3,041,932</u>	<u>693,690</u>	<u>806,221</u>	<u>4,541,843</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	890			890
Restricted		742,387		742,387
Committed			806,630	806,630
Assigned	293,228			293,228
Unassigned	2,550,723			2,550,723
<i>Fund Cash Balances, December 31</i>	<u>\$2,844,841</u>	<u>\$742,387</u>	<u>\$806,630</u>	<u>\$4,393,858</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,720,004
<b>Operating Cash Disbursements</b>	
Personal Services	377,709
Employee Fringe Benefits	167,977
Contractual Services	363,506
Supplies and Materials	388,216
Other	7,137
<i>Total Operating Cash Disbursements</i>	1,304,545
<i>Operating Income</i>	415,459
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	895
Special Assessments	4,265
Sale of Notes	690,000
Other Debt Proceeds	600,173
Miscellaneous Receipts	818
Capital Outlay	(903,350)
Principal Retirement	(850,522)
Interest and Other Fiscal Charges	(82,993)
Other Financing Uses	(10,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	(550,714)
<i>Loss before Transfers</i>	(135,255)
Transfers In	225,000
<i>Net Change in Fund Cash Balances</i>	89,745
<i>Fund Cash Balances, January 1 (Restated)</i>	2,173,842
<i>Fund Cash Balances, December 31</i>	\$2,263,587

*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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Village participates in Ohio Plan Risk Management, Inc., a public entity pool. Note 9 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvement Fund – This fund receives transfers from general fund income tax revenue and state grants and loans. These funds are being used to improve other governmental projects.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

VILLAGE OF SWANTON  
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(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 approve estimated resources.

3. **Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 4.

F. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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. Restatement of Fund Balance**

On January 1, 2012, the Village reclassified the Fire and Rescue Fund from an Enterprise Fund to a Special Revenue Fund to more closely match its intended purpose.

	Special Revenue Fund Type	Enterprise Fund Type
Fund Balance as previously reported, December 31, 2011	\$ 464,806	\$ 2,402,726
Reclassification of funds	228,884	(228,884)
Fund Balance as restated, January 1, 2012	<u>\$ 693,690</u>	<u>\$ 2,173,842</u>

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$6,535,892	\$6,657,445

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,512,480	\$1,586,606	\$74,126
Special Revenue	961,125	918,813	(42,312)
Capital Projects	343,531	400,219	56,688
Enterprise	3,318,400	3,318,140	(260)
Total	\$6,135,536	\$6,223,778	\$88,242

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,811,244	\$1,704,079	\$107,165
Special Revenue	1,005,631	918,963	86,668
Capital Projects	608,097	510,982	97,115
Enterprise	3,585,838	3,231,499	354,339
Total	\$7,010,810	\$6,365,523	\$645,287

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,506,875	\$1,616,891	\$110,016
Special Revenue	943,915	948,251	4,336
Capital Projects	617,275	632,213	14,938
Enterprise	3,208,774	3,241,155	32,381
Total	\$6,276,839	\$6,438,510	\$161,671

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,932,822	\$1,818,519	\$114,303
Special Revenue	1,004,406	902,397	102,009
Capital Projects	898,284	631,804	266,480
Enterprise	3,387,468	3,184,484	202,984
Total	\$7,222,980	\$6,537,204	\$685,776

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**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. All taxes are collected through the Regional Income Tax Agency (RITA).



**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Bond Anticipation Notes	\$665,000	0.95%
Ohio Water Development Authority (OWDA) Water and Sewer Treatment Plant Loan	530,621	7.00%
OWDA Sewer Separation Loan	385,075	2.75%
OWDA Wastewater Treatment Plant (WWTP) Loan	341,382	2.75%
OWDA-Fulton Street Sewer Separation 1 Loan	558,956	2.78%
OWDA-Fulton Street Sewer Separation 2 Loan	597,443	2.04%
Ohio Public Works Commission (OPWC) - E. Garfield Loan	7,208	
OPWC-Dodge Street Loan	18,708	
OPWC-Ivy, Various Streets Loan	37,013	
OPWC-WWTP Improvements Loan	62,155	
OPWC-Munson Road Waterline Loan	37,819	
OPWC-Elm and West St Clair Improvements Loan	35,895	
OPWC-Fulton Street Waterline Loan	48,499	
OPWC-Fulton Street Sewer Separation Loan	80,000	
Total	\$3,405,774	

Bond Anticipation Notes of \$665,000 at 0.95% due August 15, 2014 for water improvements are rolled over each year with no preset requirement for reducing the total notes outstanding.

The Village has received the following loans from OWDA:

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

In 2007, a sewer separation project was mandated by OEPA. The OWDA approved \$525,545 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$17,169, including interest over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2010, a wastewater treatment plant improvement project was mandated by OEPA. The OWDA approved \$378,151 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$12,354, including interest over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Debt (Continued)**

In 2012 and 2013, two loans of \$583,016 and \$618,430 were received from OWDA for the Fulton Street sewer separation project mandated by the OEPA. The Village will repay the loan in variable semiannual installments, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No final amortization schedule is available as of the report date.

Also, in 2013, OWDA approved a loan up to \$1,930,871 for the Granular Activated Carbon (GAC) improvement project to improve the Village's water plant. This loan includes \$333,586 in debt forgiveness for total financing of \$1,597,385. No funds have been drawn on the loan as of December 31, 2013.

The Village has the following interest free loans with the Ohio Public Works Commission (OPWC):

In July 2004, a loan of \$13,106 for improvements to E. Garfield Street was received. The loan is to be repaid in semiannual installments over 20 years.

In October 2007, a loan of \$32,425 for improvements to Dodge Street was received. The loan is to be repaid in semiannual installments over 13 years.

In October 2008, a loan of \$74,025 for improvements to Ivy, Miller, Walnut, Cass and Cherry Streets was received. The loan is to be repaid in semiannual installments over 9 years.

In 2012, loans of \$64,299 for wastewater treatment plant improvements, \$38,819 for improvements to Munson Road Waterline and \$35,895 for Elm and West Clair Street improvements were received. These loans are to be repaid in semiannual installments, wastewater treatment plant over 30 years, Munson Road Waterline over 12 years and Elm and West Clair Streets over 13 years.

In 2013, loans of \$50,172 for Fulton Street Waterline improvements and \$80,000 for phase 2 of the Fulton Street Sewer Separation project were received. These are to be repaid in semiannual installments, waterline over 15 years and sewer separation over 20 years.

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

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Debt (Continued)**

Year ending December 31:	Bond Anticipation Notes	OWDA Loan	OPWC Loans
2014	\$671,318	\$238,394	\$26,775
2015		238,394	26,775
2016		238,394	26,775
2017		148,720	26,775
2018		59,046	22,663
2019-2023		295,231	86,517
2024-2028		243,724	61,010
2029-2033		61,769	30,717
2034-2038			10,717
2039-2042			8,573
Total	<u>\$671,318</u>	<u>\$1,523,672</u>	<u>\$327,297</u>

**8. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages, after July 1, 2013 this rate increased to 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**9. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<b>2012</b>	<b>2011</b>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**10. Interfund Transactions**

During 2013 and 2012 the following transfers were made:

	<b>2013</b>	<b>2012</b>
<b>Transfers To</b>	<b>Transfers From General</b>	<b>Transfers From General</b>
Water Fund	\$25,000	\$25,000
Sewer Fund	200,000	200,000
Capital Improvement Fund	200,000	200,000
Total	\$425,000	\$425,000

Transfers represent income tax monies from the General Fund used to supplement these funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Swanton, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 9, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village reclassified its presentation of the Fire and Rescue Fund.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-003.

***Entity's Response to Findings***

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 9, 2014

**VILLAGE OF SWANTON  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness - Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the Finance Director and is essential to ensure the information provided to the readers of the financial statements is correct.

The 2013 and 2012 financial statements contained errors, such as the following:

- Ohio Public Works Commission (OPWC) grant receipts of \$92,798 were posted as other financing sources rather than intergovernmental revenue in the Capital Projects fund in 2012.
- OPWC loan proceeds of \$39,177 were posted as intergovernmental revenue instead of proceeds of debt in the Capital Projects fund in 2013.
- OPWC loan proceeds of \$80,000 and OPWC grant receipts of \$80,000 were posted as other financing sources rather than proceeds of debt and intergovernmental revenue in the Sewer Operating fund in 2013. The related expenditures were posted as other financing uses instead of capital outlay.
- The expenditure of Ohio Water Development Authority (OWDA) loan proceeds of \$168,864 and \$789,172 were posted as other financing uses rather than capital outlay in the Sewer Operating fund in 2013 and 2012, respectively.

As a result of these and other errors, the Village's financial statements did not correctly reflect the financial activity of the Village for the fiscal year and were posted to the financial statements. Adjustments to the financial statements were made to reflect the errors.

To ensure the Village's financial statements are complete and accurate, we recommend the Director of Finance post all transactions in accordance with the guidance established by the Village Officer's Handbook issued by the Auditor of State. Furthermore, Council should adopt policies and procedures, including a final review of the statements, to identify and correct errors and omissions.

**FINDING NUMBER 2013-002**

**Material Weakness – GASB 54 Fund Balance Reporting**

**Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

**FINDING NUMBER 2013-002  
 (Continued)**

Committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of Council. Furthermore, if a capital projects fund has a transfer as its sole inflow and the governing body has identified a special purpose by ordinance or resolution, then the fund balance is committed.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general as it is the only fund with a positive unassigned fund balance.

The Capital Projects fund is primarily funded with local income taxes which are transferred from General fund by action of Council, whereby committing these funds to capital project expenditures. The fund balances of the Capital Projects fund \$695,868 in 2013 and \$806,620 in 2012 were classified as restricted instead of committed.

The 2014 and 2013 annual appropriation measures for the General fund were adopted on November 25, 2013 and November 26, 2012. Total appropriations for both measures exceeded estimated receipts as follows:

	<b>2014</b>	<b>2013</b>
Estimated Receipts	\$1,572,250	\$1,512,479
Appropriations	1,812,707	1,805,707
Deficit	(\$240,457)	(\$293,228)

The amounts of the deficit noted above should have been recognized as assigned for subsequent year's appropriations instead of being classified as unassigned.

Adjustments were recorded to the 2013 and 2012 financial statements to change the above differences in fund balance classification.

In order to ensure the Village's fund balances are reported in accordance with GASB 54, we recommend the Village review and follow Auditor of State Bulletin 2011-004.

**FINDING NUMBER 2013-003**

**Noncompliance - Material Weakness**

**Ohio Rev. Code, § 5705.09(F)**, provides that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

**Auditor of State Bulletin 96-012** directs that monies received from the Federal Emergency Management Agency (FEMA) are to be accounted for in a separate fund. The Village received grant monies from FEMA in 2013 and 2012 the amount of \$86,048 and \$223,250, respectively. These grant monies were not recorded in a separate fund, but in the Fire and Rescue Fund instead. This could result in FEMA grant monies being used for purposes other than those stipulated in the grant agreement. Adjustments were made to the financial statements to record the FEMA activity in a separate Capital Projects Fund.



**FINDING NUMBER 2013-003  
(Continued)**

We recommend the Village review and follow Auditor of State Bulletin 96-012.

**Officials' Response:**

The Village will attempt to correct these weaknesses.

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VILLAGE OF SWANTON  
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

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>
2011-001	Material weakness due to errors in financial reporting.	No	Not corrected and repeated as Finding Number 2013-001 in this report.

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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  
JUNE 26, 2014**