



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SWANTON
FULTON COUNTY

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Swanton, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such 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 opinions.

Efficient • Effective • Transparent

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Swanton, Fulton County, Ohio as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 8, 2019

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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$109,342	\$166,555		\$275,897
Municipal Income Tax	1,393,379			1,393,379
Intergovernmental Revenue	105,642	195,417		301,059
Special Assessments	73,367			73,367
Charges for Services	20,166	795,770	\$26,042	841,978
Fines, Licenses and Permits	55,065			55,065
Earnings on Investments	7,225	816		8,041
Miscellaneous	66,409	28,651		95,060
<i>Total Cash Receipts</i>	<u>1,830,595</u>	<u>1,187,209</u>	<u>26,042</u>	<u>3,043,846</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	770,647	937,188		1,707,835
Leisure Time Activities	27,154	102,268		129,422
Community Environment	48,780			48,780
Basic Utility Services	47,091			47,091
Transportation	148,148	57,840		205,988
General Governemnt	465,322			465,322
Capital Outlay		11,247	256,542	267,789
Debt Service:				
Redemption of Principal	48,218	13,480	38,021	99,719
Interest and Other Fiscal Charges	3,506		1,480	4,986
<i>Total Cash Disbursements</i>	<u>1,558,866</u>	<u>1,122,023</u>	<u>296,043</u>	<u>2,976,932</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>271,729</u>	<u>65,186</u>	<u>(270,001)</u>	<u>66,914</u>
Other Financing Receipts/(Disbursements):				
Transfers In			200,000	200,000
Transfers Out	(200,000)			(200,000)
Other Financing Uses			(3,078)	(3,078)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>(200,000)</u>		<u>196,922</u>	<u>(3,078)</u>
<i>Net Change in Fund Cash Balances</i>	71,729	65,186	(73,079)	63,836
<i>Fund Cash Balances, January 1</i>	<u>2,613,629</u>	<u>705,968</u>	<u>\$513,813</u>	<u>3,833,410</u>
Fund Cash Balances, December 31				
Nonspendable	1			1
Restricted		771,154		771,154
Committed			440,734	440,734
Assigned	450,617			450,617
Unassigned	2,234,740			2,234,740
<i>Fund Cash Balances, December 31</i>	<u>\$2,685,358</u>	<u>\$771,154</u>	<u>\$440,734</u>	<u>\$3,897,246</u>

See accompanying notes to the basic financial statements

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, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,633,345
Operating Cash Disbursements:	
Personal Services	361,214
Transportation	163,514
Contractual Services	391,828
Supplies and Materials	340,598
Other	7,897
<i>Total Operating Cash Disbursements</i>	1,265,051
<i>Operating Income</i>	368,294
Non-Operating Receipts (Disbursements):	
Intergovernmental Receipts	71,063
Special Assessments	193
Sale of Notes	824,000
Other Debt Proceeds	197,400
Miscellaneous	19,803
Capital Outlay	(213,583)
Redemption of Principal	(1,199,331)
Interest and Other Fiscal Charges	(107,721)
Other Financing Sources	118
Other Financing Uses	(3,845)
<i>Total Non-Operating Receipts (Disbursements)</i>	(411,903)
<i>Net Change in Fund Cash Balances</i>	(43,609)
<i>Fund Cash Balances, January 1</i>	2,147,199
<i>Fund Cash Balances, December 31</i>	\$2,103,590

See accompanying notes to the basic financial statements

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Swanton (the Village), Fulton County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police, fire, and rescue services.

Public Entity Risk Pools

The Village participates in public entity risk pools. Notes 6 and 12 to the financial statements provide additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 debt service or capital projects. The Village had the following significant Special Revenue Fund:

Fire and Rescue Fund The fire and rescue fund accounts for property tax revenues and revenues from fire and rescue contracts with other governments.

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:

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Capital Improvement Fund The capital improvement fund accounts for transfers from the General Fund income tax revenues for governmental projects and contributions from fire and rescue contracts with other governments for related permanent improvements.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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.

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.

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 2017 budgetary activity appears in Note 3.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

Capital Assets

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

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.

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:

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

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.

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.

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.

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,665,000	\$1,830,595	\$165,595
Special Revenue	1,128,726	1,187,209	58,483
Capital Projects	25,000	226,042	201,042
Enterprise	2,452,750	2,745,922	293,172
Total	\$5,271,476	\$5,989,768	\$718,292

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,947,073	\$1,774,810	\$172,263
Special Revenue	1,303,160	1,129,682	173,478
Capital Projects	367,674	300,351	67,323
Enterprise	3,409,718	2,812,721	596,997
Total	\$7,027,625	\$6,017,564	\$1,010,061

Note 4 – Deposits and Investments

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:

	2017
Demand deposits	\$6,000,836

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized through the Ohio Pooled Collateral System (OPCS); or collateralized by the financial institution's public entity deposit pool.

At December 31, 2017, \$398,925 of deposits were not insured or collateralized, contrary to Ohio law.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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 Regional Income Tax Authority either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Social Security

Some of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1.0 percent of the employer contributions to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Bond Anticipations Notes	\$824,000	1.48%
Ohio Water Development Authority Loans	3,419,169	1.08% - 7.77%
Ohio Public Works Commission Loans	530,696	0.00%
Commercial Loans	142,811	3.16% - 4.14%
Capital Leases	20,551	4.80% - 6.00%
Total	\$4,937,227	

Bond Anticipation Notes of \$824,000 are due August 10, 2018 for water improvements and the purchase of land for the reservoir and are rolled over each year with no preset requirement for reducing total notes outstanding.

The Village has received the following loans from the Ohio Water Development Authority (OWDA):

In 1992, a water 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. This loan was paid in full and retired in 2017.

In 2007, a loan of \$525,545 was received from OWDA for the Broadway Avenue sewer separation project mandated by the OEPA. 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, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

In 2012, a loan of \$594,795 was 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.

In 2013, loan \$618,430 was received from OWDA for the combined 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 \$1,453,134 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.

In 2016, OWDA approved a loan of \$744,943 for the Clark 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.

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.

In 2015, loans of \$85,500 for Holiday Lane Sanitary Sewer improvements and \$175,000 for Phosphorous Removal improvements at the wastewater treatment plant were received. These are to be repaid in semiannual installments, sanitary sewer over 13 years and phosphorous removal over 21 years.

In 2016, a loan of \$87,500 for Clark Street Sewer Separation was received. The loan is to be repaid in semiannual installments over 20 years.

The Village had the following commercial loans:

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

In 2015, the Village obtained a commercial loan of \$102,345 for the purchase of a new dump truck. This is to be repaid in annual installments over 3 years.

In 2016, the Village obtained a commercial loan of \$134,150 for the purchase of a new street sweeper. This is to be repaid in annual installments over 7 years.

Leases

The Village entered into lease purchase agreements for vehicles for the Police, Fire, and Water departments. The vehicles consisted of two interceptors for the Police Department, a pumper truck for the Fire Department, and a work truck for the Water Department. The leases for the interceptors in the Police Department as well as the lease for the pumper truck in the Fire Department were paid in full and retired in 2017. The payments were made from the General fund (police interceptors), Capital Improvements fund (pumper truck), and Water fund (work truck). The principal amounts due on outstanding leases were \$20,551.

The Village leases vehicles under noncancelable leases. The Village disbursed \$68,034 to pay lease costs for the year ended December 31, 2017.

Amortization

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

Year Ending December 31:	Bond Anticipation Notes	OWDA Loans	OPWC Loans	Commercial Loans	Capital Leases
2018	\$836,161	\$142,781	\$42,913	\$48,825	\$11,123
2019		161,787	38,800	21,662	11,123
2020		161,788	38,800	21,662	
2021		161,788	37,553	21,662	
2022		161,788	36,306	21,662	
2023-2027		791,768	166,938	21,662	
2028-2032		592,884	98,014		
2033-2037		318,853	60,654		
2038-2042		318,853	10,718		
2043-2044		127,541			
Total	<u>\$836,161</u>	<u>\$2,939,831</u>	<u>\$530,696</u>	<u>\$157,135</u>	<u>\$22,246</u>

Note 10 – Construction and Contractual Commitments

As of December 31, 2017, the Village had the following outstanding contractual purchase commitment for a sewer separation project:

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Vendor	Contract Amount	Amount Paid as of 12/31/2017	Outstanding Balance
Bryan Excavating LLC	\$ 174,356	\$ -	\$ 174,356

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Subsequent Events

On March 26, 2018, the Village approved a contract with Miller Brothers Construction in the amount of \$846,582 for the Garfield Avenue bridge replacement project.

On April 23, 2018, the Village approved a contract with B&J Concrete and Construction in the amount of \$432,404 for the Church Street reconstruction, Phase 1 project.

On May 14, 2018, the Village approved a contract with Underground Utilities in the amount of \$1,218,137 for the Project 7 sewer separation project.

On August 10, 2018, the Village renewed the bond anticipation notes stipulated in Note 9 above for \$800,000 at an interest rate of 2.45 percent.

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, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$104,146	\$158,898		\$263,044
Municipal Income Tax	1,443,490			1,443,490
Intergovernmental Revenue	97,506	200,413	\$23,417	321,336
Special Assessments	69,634			69,634
Charges for Services	20,994	623,447	23,958	668,399
Fines, Licenses and Permits	59,612			59,612
Earnings on Investments	7,270	430		7,700
Miscellaneous	28,211	3,256		31,467
<i>Total Cash Receipts</i>	<u>1,830,863</u>	<u>986,444</u>	<u>47,375</u>	<u>2,864,682</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	730,028	781,594		1,511,622
Leisure Time Activities	25,960	85,494		111,454
Community Environment	9,529			9,529
Basic Utility Services	45,110			45,110
Transportation	106,079	44,053		150,132
General Governemnt	433,729			433,729
Capital Outlay	45,744	71,109	88,708	205,561
Debt Service:				
Redemption of Principal	58,995	13,480	36,608	109,083
Interest and Other Fiscal Charges	6,192		2,894	9,086
<i>Total Cash Disbursements</i>	<u>1,461,366</u>	<u>995,730</u>	<u>128,210</u>	<u>2,585,306</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>369,497</u>	<u>(9,286)</u>	<u>(80,835)</u>	<u>279,376</u>
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	13,084			13,084
Other Financing Sources		7,574		7,574
Other Financing Uses		(1,241)		(1,241)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>13,084</u>	<u>6,333</u>		<u>19,417</u>
<i>Net Change in Fund Cash Balances</i>	<u>382,581</u>	<u>(2,953)</u>	<u>(80,835)</u>	<u>298,793</u>
<i>Fund Cash Balances, January 1</i>	<u>2,231,048</u>	<u>708,921</u>	<u>594,648</u>	<u>3,534,617</u>
Fund Cash Balances, December 31				
Nonspendable	1			1
Restricted		705,968		705,968
Committed			513,813	513,813
Assigned	282,073			282,073
Unassigned	2,331,555			2,331,555
<i>Fund Cash Balances, December 31</i>	<u>\$2,613,629</u>	<u>\$705,968</u>	<u>\$513,813</u>	<u>\$3,833,410</u>

See accompanying notes to the basic financial statements

VILLAGE OF SWANTON
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$1,615,379		\$1,615,379
Fees, Licenses and Permits		\$7,470	7,470
<i>Total Operating Cash Receipts</i>	<u>1,615,379</u>	<u>7,470</u>	<u>1,622,849</u>
Operating Cash Disbursements:			
Personal Services	379,925		379,925
Transportation	168,189		168,189
Contractual Services	422,666		422,666
Supplies and Materials	320,315		320,315
Other	8,558	7,470	16,028
<i>Total Operating Cash Disbursements</i>	<u>1,299,653</u>	<u>\$7,470</u>	<u>1,307,123</u>
<i>Operating Income</i>	<u>315,726</u>		<u>315,726</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental Receipts	113,268		113,268
Special Assessments	226		226
Sale of Notes	842,000		842,000
Other Debt Proceeds	804,085		804,085
Miscellaneous	37,192		37,192
Capital Outlay	(977,538)		(977,538)
Redemption of Principal	(1,210,372)		(1,210,372)
Interest and Other Fiscal Charges	(109,971)		(109,971)
Other Financing Uses	(3,042)		(3,042)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(504,152)</u>		<u>(504,152)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(188,426)</u>		<u>(188,426)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,335,625</u>		<u>2,335,625</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,147,199</u>		<u>\$2,147,199</u>

See accompanying notes to the basic financial statements

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Swanton (the Village), Fulton County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police, fire, and rescue services.

Public Entity Risk Pools

The Village participates in public entity risk pools. Notes 6 and 12 to the financial statements provide additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 debt service or capital projects. The Village had the following significant Special Revenue Fund:

Fire and Rescue Fund The fire and rescue fund accounts for property tax revenues and revenues from fire and rescue contracts with other governments.

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:

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Capital Improvement Fund The capital improvement fund accounts for transfers from the General Fund income tax revenues for governmental projects and contributions from fire and rescue contracts with other governments for related permanent improvements.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the collection and remittance of dog licensing fees to the Fulton County Auditor.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and department, and within each, personal services, 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.

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.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 2016 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

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.

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.

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.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,683,200	\$1,843,947	\$160,747
Special Revenue	974,353	994,018	19,665
Capital Projects	25,000	47,375	22,375
Enterprise	3,266,200	3,412,150	145,950
Total	\$5,948,753	\$6,297,490	\$348,737

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,872,662	\$1,482,100	\$390,562
Special Revenue	1,208,698	1,001,596	207,102
Capital Projects	360,417	129,284	231,133
Enterprise	4,548,214	3,632,816	915,398
Total	\$7,989,991	\$6,245,796	\$1,744,195

Note 4 – 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:

Demand deposits	2016 \$5,980,609
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Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Deposits

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

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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 Regional Income Tax Authority either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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 equity at December 31, 2016.

Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Social Security

Some of the Village’s employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipations Notes	\$842,000	2.11%
Ohio Water Development Authority Loans	3,527,986	1.08% - 7.77%
Ohio Public Works Commission Loans	575,534	0.00%
Commercial Loans	185,281	3.16% - 4.14%
Capital Leases	84,078	4.80% - 6.00%
Total	<u>\$5,214,879</u>	

Bond Anticipation Notes of \$842,000 are due August 11, 2017 for water improvements and the purchase of land for the reservoir and are rolled over each year with no preset requirement for reducing total notes outstanding.

The Village has received the following loans from OWDA:

In 1992, a water 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 loan of \$525,545 was received from OWDA for the Broadway Avenue sewer separation project mandated by the OEPA. 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.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

In 2012, a loan of \$594,795 was 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.

In 2013, loan \$618,430 was received from OWDA for the combined 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 \$1,453,134 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.

In 2016, OWDA approved a loan of \$744,943 for the Clark 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.

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.

In 2015, loans of \$85,500 for Holiday Lane Sanitary Sewer improvements and \$175,000 for Phosphorous Removal improvements at the wastewater treatment plant were received. These are to be repaid in semiannual installments, sanitary sewer over 13 years and phosphorous removal over 21 years.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

In 2016, a loan of \$87,500 for Clark Street Sewer Separation was received. The loan is to be repaid in semiannual installments over 20 years.

The Village had the following commercial loans:

In 2015, the Village obtained a commercial loan of \$102,345 for the purchase of a new dump truck. This is to be repaid in annual installments over 3 years.

In 2016, the Village obtained a commercial loan of \$134,150 for the purchase of a new street sweeper. This is to be repaid in annual installments over 7 years.

Leases

The Village entered into lease purchase agreements for vehicles for the Police, Fire, and Water departments. The vehicles consisted of two interceptors for the Police Department, a pumper truck for the Fire Department, and a work truck for the Water Department. The payments were made from the General fund (police interceptors), Capital Improvements fund (pumper truck), and Water fund (work truck). The principal amounts due on outstanding leases were \$84,078.

The Village leases vehicles under noncancelable leases. The Village disbursed \$56,911 to pay lease costs for the year ended December 31, 2016.

Amortization

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

Year Ending December 31:	Bond Anticipation Notes	OWDA Loans	OPWC Loans	Commercial Loans	Capital Leases
2017	\$860,112	\$292,313	\$44,838	\$48,825	\$68,035
2018		142,781	42,913	48,825	11,123
2019		161,787	38,800	21,662	11,123
2020		161,788	38,800	21,662	
2021		161,788	37,553	21,662	
2022-2026		808,937	177,069	43,324	
2027-2031		654,247	104,921		
2032-2036		338,338	75,592		
2037-2041		318,853	12,904		
2042-2044		191,312	2,144		
Total	<u>\$860,112</u>	<u>\$3,232,144</u>	<u>\$575,534</u>	<u>\$205,960</u>	<u>\$90,281</u>

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Construction and Contractual Commitments

As of December 31, 2016, the Village had the following outstanding contractual purchase commitment for a drainage improvement project:

Vendor	Contract Amount	Amount Paid as of 12/31/2016	Outstanding Balance
Hank's Plumbing and Heating Co., Inc.	\$ 855,518	\$ 661,106	\$ 194,412

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Subsequent Events

On August 11, 2017, the Village renewed the bond anticipation notes stipulated in Note 9 above for \$824,000 at an interest rate of 1.48 percent.

OHIO AUDITOR OF STATE KEITH FABER



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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 cash balances, receipts, and disbursements by fund type of the Village of Swanton, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 8, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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 a material weakness and significant deficiencies.

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 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. We consider finding 2017-001 described in the accompanying schedule of findings to be a material weakness.

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 2017-002 and 2017-003 described in the accompanying schedule of findings to be significant deficiencies.

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

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 8, 2019

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified for the fiscal year ended December 31, 2017:

- Expenditures totaling \$62,525 for community events, office repairs utilities and supplies were improperly recorded as Other Financing Uses in the General Fund. These should have been recorded as Leisure Time Activities (\$27,154), Community Environment (\$22,384), Basic Utility Services (\$4,445) and General Government (\$8,542).
- Expenditures totaling \$36,832 for fire department operation, street maintenance and paving were improperly recorded as Other Financing Uses in the Special Revenue fund type. These should have been recorded as Security of Persons and Property (\$17,068), Leisure Time Activities (\$9,000) and Capital Outlay (\$10,764).
- Expenditures totaling \$210,595 for the Clark Street sewer separation project were improperly recorded as Supplies and Materials instead of Capital Outlay in the Enterprise fund type.
- Debt service expenditures were improperly recorded as Security of Persons and Property (\$24,561) and Transportation (\$27,163) in the General Fund. These should have been recorded as Debt Service - Principal (\$48,218) and Debt Service - Interest (\$3,506).
- Expenditures to Swancreek Township were improperly recorded as Debt Service - Principal (\$483) in the Special Revenue fund type. This should have been recorded as Capital Outlay (\$483).
- Expenditures for engineering services and debt service principal were improperly recorded as Debt Service - Interest (\$83,202) in the Capital Projects fund type. These should have been recorded as Capital Outlay (\$52,333) and Debt Service - Principal (\$30,869).
- Loan forgiveness and additional borrowing charges were not recorded in the Enterprise fund type resulting in the understatement of Intergovernmental Revenue (\$71,063), Other Debt Proceeds (\$2,988), Capital Outlay (\$2,988), Debt Service - Principal (\$67,956), Debt Service - Interest (\$4,272) and the overstatement of Other Financing Uses (\$1,165).
- Assigned fund balance was understated by \$166,585 due to the need to use the carryover fund balance to cover the remaining amount of appropriations for 2018 as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod 1800.176.
- Budgeted receipts entered into the UAN accounting system and used in the "Budget vs Actual" footnotes did not agree to the approved amounts in the Certificate of Estimated Resources. The Capital Projects Funds and Enterprise Funds budgeted receipts were overstated by \$200,000 and \$200,000, respectively.

The following errors were identified for the fiscal year ended December 31, 2016:

- Expenditures totaling \$91,493 for community events, road maintenance, administrative operations and capital purchases were improperly recorded as Other Financing Uses in the General Fund. These should have been recorded as Security of Persons and Property (\$172), Leisure Time Activities (\$25,960), Transportation (\$9,976), General Government (\$22,725) and Capital Outlay (\$32,660).

- Expenditures totaling \$71,247 for fire department operations, parks, engineering and street paving were improperly recorded as Other Financing Uses in the Special Revenue fund type. These should have been recorded as Security of Persons and Property (\$5,021), Leisure Time Activities (\$4,919) and Capital Outlay (\$61,307).
- Expenditures totaling \$703,911 for the Clark Street sewer separation project were improperly recorded as Supplies and Materials instead of Capital Outlay in the Enterprise fund type.
- Debt service expenditures were improperly recorded as Transportation (\$51,724) in the General Fund. These should have been recorded as debt service - principal (\$45,911) and debt service - interest (\$5,813).
- Debt service expenditures were improperly recorded as Capital Outlay (\$1,417) and Debt Service - Interest (\$28,039) in the Capital Projects fund type. These should have been recorded as Debt Service - Principal (\$29,456).
- The remittance of dog tag fees collected of \$6,720 to the Fulton County Auditor was recorded as refunds of receipts instead of fees, licenses and permits in the Agency fund type.
- Capital equipment purchases and loan forgiveness were improperly recorded in the Enterprise fund type resulting in the understatement of Intergovernmental Revenue (\$108,105), Capital Outlay (\$252,139) and Debt Service - Interest (\$6,466) and the overstatement of Other Debt Proceeds (\$21,209) and Debt Service - Principal (\$171,709).
- Assigned fund balance was understated by \$282,073 due to the need to use the carryover fund balance to cover the remaining amount of appropriations as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod 1800.176.
- Actual expenditures entered into the UAN accounting system and used in the "Budget vs Actual" footnotes were understated by \$220,666 for the Enterprise Fund.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted.

To help ensure the Village's financial statements and notes are complete and accurate, the Village should adopt policies and procedures, including final review of the statements and notes to the financial statements by Finance Director and Village Council to help identify and correct errors and omissions. In addition, Management can reference account code listings in the Village Officer's Handbook which is available at the following website address: <http://www.ohioauditor.gov/publications/VillageOfficerHandbook%202-27-19.pdf>.

Officials' Response:

Management identified the errors in accounting codes in 2018 and corrected them in the 2019 budget.

FINDING NUMBER 2017-002

Significant Deficiency – Segregation of Duties

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

Due to the small size of the Village, the following deficiencies in segregation of duties were noted:

The utility billing clerk performs the following procedures over the charges for services and over the counter cash receipts cycles:

- Receives cash.
- Reconciles cash receipts per the cash register to daily cash.
- Prepares daily bank deposit.
- Post receipts in the utility system.

The following deficiencies were noted regarding the nonpayroll cycle:

- Purchase order are not reviewed and signed by the purchasing agent.
- Electronic payments are only reviewed and approved by the fiscal officer prior to payment.

The following deficiencies were noted regarding the payroll cycle:

- Payroll registers are only reviewed and approved by the fiscal officer.
- Direct deposits are only reviewed and approved by the fiscal officer.

The lack of segregation of duties increases the risk that the Village's funds could be misappropriated or fraudulent activity could occur and go undetected by management.

The Village should provide for segregation of duties in its charges for services and over the counter cash receipts, nonpayroll and payroll cycles. When adequate segregation of duties is not possible, some compensating controls should be in place. Such controls include, but are not limited to:

Charges for services and over the counter cash receipts cycles, someone other than the utility billing clerk should:

- Reconcile cash receipts per the cash register to daily cash.
- Take the deposit to the bank.
- Perform a monthly reconciliation of receipts per the utility system to amounts posted to the accounting system.

Nonpayroll cycle, the Village Administrator should:

- Review and approve purchase orders.
- Review and approve payment listings of electronic payments.

Payroll cycle, the Village Administrator should:

- Review and approve payroll registers.
- Review and approve payment listings of direct deposits.

These controls should be evidenced by signoffs. These procedures can help to detect and prevent errors or fraud.

Officials' Response:

Management has implemented the following controls in 2018:

- Village Administrator reviews and signs every purchase order.
- Village Administrator reviews and signs each payroll register and direct deposit.
- All receipts are verified and cross-referenced to supporting documentation.
- All deposits taken to the bank are verified and initialed by a second person.
- All zoning and building permit revenue is reconciled against UAN revenue.
- UAN utility receipts are reconciled against Utility Billing revenue monthly.
- All Utility Billing noncash adjustments are approved by the Village Administrator.
- All Utility Billing adjustments (mostly due to input errors) are approve by the Fiscal Officer.

FINDING NUMBER 2017-003

Significant Deficiency – UAN and Utility System Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Due to deficiencies in the Village's internal control policies and procedures, the utility system receipts were not reconciled to amounts posted to the revenue ledger on a regular basis (i.e. monthly, quarterly) during 2017 and 2016. As such, at 12/31/17, revenues per the UAN revenue ledger exceeded utility system receipts by \$3,750. At 12/31/16, revenues per the utility system exceeded the UAN revenue ledger by \$24,969.

This reconciliation of the utility system receipts to the revenue ledger is an important method of detecting errors in the revenue ledger postings. After this procedure is completed, any errors found should be immediately corrected, general ledger records closed and period end financial information generated by the Finance Director.

The Auditor of State is currently conducting an investigation related to the Village. As of the date of this report, the investigation is ongoing, and depending on the outcome, the results of the investigation may be reported at a later date.

Officials' Response:

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2017 AND 2016**

219 Chestnut Street
 Swanton, Ohio 43558
 T: 419.826.9515
 F: 419.825.1827
 www.villageofswanton



MAYOR
 Ann Roth

**COUNCIL
 MEMBERS**
 Paul Dzyak
 Kathy Kreuz
 Jeff Pilliod
 Michael Rochelle
 Craig Rose
 Dianne Westhoven

ADMINISTRATOR
 Rosanna Hoelzle

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding first reported in 2007. Material Weakness – financial reporting due to classification errors.	Not corrected and reissued as part of finding 2017-001 in this report.	Additional errors occurred which were not detected. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.
2015-002	Finding first reported in 2013. Material Weakness – Fund balances were incorrectly classified.	Not corrected and reissued as part of finding 2017-001 in this report.	Additional errors occurred which were not detected. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.
2015-003	Material Weakness – On-behalf-of grant activity was not recorded.	Not corrected and reissued as part of finding 2017-001 in this report.	Additional errors occurred which were not detected. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.
2015-004	Significant Deficiency - A lack of segregation of duties in the posting of utility receipts, nonpayroll, and payroll transactions was noted.	Not corrected and reissued as finding 2017-003 in this report.	Management is continually looking at ways to increase segregation of duties.
2015-005	Significant Deficiency – Variances between recorded and approved appropriations were noted.	Corrective action was taken and finding is fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



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
AUGUST 22, 2019**