



Dave Yost • Auditor of State



VILLAGE OF SWANTON  
FULTON COUNTY

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# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

December 4, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Swanton, Fulton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserve for encumbrances as of December 31, 2010 of the Village of Swanton, Fulton County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

December 4, 2012



**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, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$118,679	\$60,708		\$179,387
Municipal Income Tax	1,114,400			1,114,400
Intergovernmental	164,043	184,583	\$91,049	439,675
Special Assessments	63,183		46,679	109,862
Charges for Services	18,671	2,694	35,874	57,239
Fines, Licenses and Permits	57,959			57,959
Earnings on Investments	9,970	713		10,683
Miscellaneous	8,276	4,985	3,400	16,661
<i>Total Cash Receipts</i>	<u>1,555,181</u>	<u>253,683</u>	<u>177,002</u>	<u>1,985,866</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	598,464			598,464
Public Health Services	420			420
Leisure Time Activities		53,931		53,931
Basic Utility Services	44,060			44,060
Transportation	70,511	174,626		245,137
General Government	359,180		2,361	361,541
Capital Outlay			288,891	288,891
Debt Service:				
Principal Retirement		10,719	95,656	106,375
Interest and Fiscal Charges			1,225	1,225
<i>Total Cash Disbursements</i>	<u>1,072,635</u>	<u>239,276</u>	<u>388,133</u>	<u>1,700,044</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>482,546</u>	<u>14,407</u>	<u>(211,131)</u>	<u>285,822</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes			45,000	45,000
Transfers In			200,000	200,000
Transfers Out	(425,000)			(425,000)
Other Financing Uses	(6,831)			(6,831)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(431,831)</u>		<u>245,000</u>	<u>(186,831)</u>
<i>Net Change in Fund Cash Balances</i>	50,715	14,407	33,869	98,991
<i>Fund Cash Balances, January 1</i>	<u>2,991,217</u>	<u>450,399</u>	<u>772,352</u>	<u>4,213,968</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	200			200
Restricted		464,806	806,221	1,271,027
Unassigned	3,041,732			3,041,732
<i>Fund Cash Balances, December 31</i>	<u>\$3,041,932</u>	<u>\$464,806</u>	<u>\$806,221</u>	<u>\$4,312,959</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, 2011**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$2,465,689
<b>Operating Cash Disbursements</b>	
Personal Services	780,324
Employee Fringe Benefits	306,508
Contractual Services	452,142
Supplies and Materials	416,390
Other	7,334
<i>Total Operating Cash Disbursements</i>	1,962,698
<i>Operating Income</i>	502,991
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	89,008
Intergovernmental	78,752
Special Assessments	2,296
Sale of Notes	700,000
Other Debt Proceeds	83,296
Miscellaneous Receipts	2,949
Capital Outlay	(315,178)
Principal Retirement	(897,032)
Interest and Other Fiscal Charges	(100,285)
Other Financing Sources	53,982
Other Financing Uses	(28,303)
<i>Total Non-Operating Receipts (Disbursements)</i>	(330,515)
<i>Income before Transfers</i>	172,476
Transfers In	225,000
<i>Net Change in Fund Cash Balances</i>	397,476
<i>Fund Cash Balances, January 1</i>	2,005,250
<i>Fund Cash Balances, December 31</i>	\$2,402,726

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

**VILLAGE OF SWANTON  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Local Taxes	\$136,568	\$63,363		\$199,931
Municipal Income Tax	1,179,829			1,179,829
Intergovernmental	215,846	184,010	\$244,864	644,720
Special Assessments	64,150		53,673	117,823
Charges for Services	18,231	2,820	29,624	50,675
Fines, Licenses and Permits	59,475	1,950		61,425
Earnings on Investments	11,378	2,574		13,952
Miscellaneous	18,055	1,998		20,053
<i>Total Cash Receipts</i>	<u>1,703,532</u>	<u>256,715</u>	<u>328,161</u>	<u>2,288,408</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	654,362			654,362
Leisure Time Activities		55,605		55,605
Basic Utility Service	43,732			43,732
Transportation	80,696	217,351		298,047
General Government	397,592			397,592
Debt Service:				
Redemption of Principal		10,719	200,655	211,374
Interest and Fiscal Charges			6,400	6,400
Capital Outlay			162,000	162,000
<i>Total Cash Disbursements</i>	<u>1,176,382</u>	<u>283,675</u>	<u>369,055</u>	<u>1,829,112</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>527,150</u>	<u>(26,960)</u>	<u>(40,894)</u>	<u>459,296</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Notes			95,000	95,000
Transfers-In			300,000	300,000
Transfers-Out	(325,000)			(325,000)
Advances-In	10,000			10,000
Advances-Out	(10,000)			(10,000)
Other Financing Uses	(32,855)			(32,855)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(357,855)</u>		<u>395,000</u>	<u>37,145</u>
<i>Net Change in Fund Cash Balances</i>	169,295	(26,960)	354,106	496,441
<i>Fund Cash Balances, January 1</i>	<u>2,821,922</u>	<u>477,359</u>	<u>418,246</u>	<u>3,717,527</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,991,217</u>	<u>\$450,399</u>	<u>\$772,352</u>	<u>\$4,213,968</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, 2010**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,577,586
<b>Operating Cash Disbursements:</b>	
Personal Services	776,710
Employee Fringe Benefits	322,203
Contractual Services	468,281
Supplies and Materials	365,072
Other	5,901
<i>Total Operating Cash Disbursements</i>	1,938,167
<i>Operating Income</i>	639,419
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	99,421
Intergovernmental	23,588
Special Assessments	4,812
Sale of Notes	739,000
Other Debt Proceeds	294,225
Miscellaneous Receipts	1,380
Capital Outlay	(2,255,642)
Redemption of Principal	(918,831)
Interest and Other Fiscal Charges	(107,677)
Other Non-Operating Cash Receipts	1,260,008
Other Non-Operating Cash Disbursements	(5,581)
<i>Total Non-Operating Receipts (Disbursements)</i>	(865,297)
<i>Loss Before Transfers and Advances</i>	(225,878)
Transfers-In	25,000
Advances-In	10,000
Advances-Out	(10,000)
<i>Net Change in Fund Cash Balances</i>	(200,878)
<i>Fund Cash Balances, January 1</i>	2,206,128
<i>Fund Cash Balances, December 31</i>	\$2,005,250
<i>Reserve for Encumbrances, December 31</i>	\$5,840

*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, 2011 AND 2010**

**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'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.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund – This fund receives proceeds of general obligation notes. The proceeds 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.

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**F. Fund Balance**

For 2011, the Village has implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, 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.

**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.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

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.

**2. Equity in Pooled Deposits**

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

	2011	2010
Demand deposits	\$6,715,685	\$5,717,388
Certificates of deposit		501,830
Total deposits	\$6,715,685	\$6,219,218

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,699,729	\$1,555,181	(\$144,548)
Special Revenue	270,750	253,683	(17,067)
Capital Project	692,696	422,002	(270,694)
Enterprise	4,411,985	3,700,972	(711,013)
Total	\$7,075,160	\$5,931,838	(\$1,143,322)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,013,788	\$1,504,466	\$509,322
Special Revenue	305,435	239,276	66,159
Capital Project	801,204	388,133	413,071
Enterprise	4,286,758	3,303,496	983,262
Total	\$7,407,185	\$5,435,371	\$1,971,814



**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,252,125	\$1,703,532	\$451,407
Special Revenue	229,850	256,715	26,865
Capital Project	728,113	723,161	(4,952)
Enterprise	5,271,013	5,025,020	(245,993)
Total	\$7,481,101	\$7,708,428	\$227,327

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,714,703	\$1,534,237	\$180,466
Special Revenue	335,440	283,675	51,765
Capital Project	819,724	369,055	450,669
Enterprise	5,715,337	5,231,738	483,599
Total	\$8,585,204	\$7,418,705	\$1,166,499

**4. Property Tax**

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Bond Anticipation Notes	\$745,000	1.30%
OWDA Water Plant Loan	777,701	7.00%
OWDA Sewer Separation Loan	419,720	2.75%
OWDA Wastewater Treatment Plant	363,744	2.75%
OPWC Ivy, Various Other Streets Loan	49,350	0.00%
OPWC Dodge Street Loan	22,449	0.00%
OPWC E. Garfield Street Loan	8,191	0.00%
Total	\$2,386,155	

Bond Anticipation Notes of \$745,000 at 1.3 percent due August 18, 2012 for water and sewer improvements are rolled over each year with no preset requirement for reducing the total notes outstanding. Above notes were paid and rolled over in the amount of \$690,000 at rate of 1.3 percent on August 17, 2012.

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

The Village received a loan from Ohio Water Development Authority (OWDA) loan for the sewer system improvement project in 2007 that were mandated by the Ohio Environmental Protection Agency. The OWDA approved \$525,545 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$17,171, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village received a loan from Ohio Water Development Authority (OWDA) loan for the wastewater treatment plant improvement project in 2010 that were mandated by the Ohio Environmental Protection Agency. 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. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The Village received a loan from Ohio Public Works Commission (OPWC) for improvements to Dodge Street in October 2007. The loan of \$32,425 at 0 percent is to be repaid in semiannual installments over 13 years.

**VILLAGE OF SWANTON  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt (Continued)**

The Village received a loan from Ohio Public Works Commission (OPWC) for improvements to E. Garfield Street in July 2004. The loan of \$13,106 at 0 percent is to be repaid in semiannual installments over 20 years.

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

Year ending Dec.31:	Bond Anticipation Note	OWDA Loan Water Plant	OWDA Loan Sewer Separation	OWDA Loan WWTP	OPWC Loan Ivy, Various Streets	OPWC Loan Dodge Street	OPWC Loan Garfield Street
2012	\$754,685	\$173,359	\$34,342	\$24,708	\$8,225	\$2,494	\$655
2013		174,275	34,342	24,708	8,225	2,494	655
2014		175,262	34,342	24,708	8,225	2,494	655
2015		176,325	34,342	24,708	8,225	2,494	655
2016		177,471	34,342	24,708	8,225	2,494	655
2017-2031		89,033	343,423	349,910	8,225	9,979	4,916
Total	\$754,685	\$965,725	\$515,133	\$473,450	\$49,350	\$22,449	\$8,191

**6. 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, 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 2011 and 2010, 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, 2011.

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Swanton, Fulton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 4, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and we noted the Village adopted Government Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 4, 2012.

The Village's response to the finding 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.

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



**Dave Yost**  
Auditor of State

December 4, 2012

**VILLAGE OF SWANTON  
FULTON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**Material Weakness**

**Financial Reporting**

Inaccurate posting of transactions impedes the ability of the Village Management to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- The activity of the income tax department was accounted for in a Trust Fund for 2010. In previous years this activity has been reported in the General Fund as all income taxes are earmarked for the General Fund per Village Ordinance. This resulted in adjustments to the General Fund and Income Tax Fund to account for this activity in the General Fund and eliminate the transfers to the General Fund from the Income Tax Fund for 2010 as follows:

General Fund	2010
Municipal Income Taxes	\$1,179,829
General Government Expenditures	62,837
Operating Transfers In	750,000
Beginning Fund Balance	2,238,485

- Redemption of Principal payments in the amount of \$123,831 in the Water and Sewer Operating Funds of the Enterprise Fund Type in 2010 was misclassified as Interest and Other Fiscal Charges. Other Financing Sources in the amount of \$1,260,008 in 2010 and \$53,982 in 2011 for the Sewer Operating Fund of the Enterprise Fund Type were misclassified as Other Debt Proceeds, as these amounts were forgiven by OWDA.
- Homestead and rollback receipts in the amount of \$16,681 in 2011 and \$9,359 in 2010 were misclassified as property and other local tax receipts in the General Fund. Homestead and rollback receipts in the amount of \$8,341 in 2011 and \$4,441 in 2010 were misclassified as Property and Other Local Tax receipts in the Park Fund of the Special Revenue Fund Type. Homestead and rollback receipts in the amount of \$12,512 in 2011 and \$7,019 in 2010 were misclassified as Property and Other Local Tax receipts in the Fire and Rescue Fund of the Enterprise Fund Type.
- County Motor Vehicle License Tax receipts in the amount of \$29,667 in 2011 and \$27,763 in 2010 were misclassified as Property and Other Local Tax receipts in the Street Construction, Maintenance and Repair and State Highway Funds of the Special Revenue Fund Type.
- Charges for Services receipts for Bondsman Contract in the amount of \$10,000 in 2011 and 2010 were misclassified as Intergovernmental receipts in the General Fund.
- Charges for Services receipts for water receipts in the amount of \$16,404 in 2011 that should have been posted to the Water Operating Fund were incorrectly posted to the General Fund as Intergovernmental receipts.
- Miscellaneous receipts for monies received for damage to Village property in the amount of \$3,400 in 2011 were misclassified as Intergovernmental receipts in the Capital Projects Fund.

**FINDING NUMBER 2011-001  
(Continued)**

- Intergovernmental receipts from OPWC for Water Plant Improvements in the amount of \$4,034 in 2010 that should have been posted to the Sewer Operating Fund were incorrectly posted to the Capital Projects Fund as Special Assessments receipts.
- Other Debt Proceeds and Capital Outlay expenditures in 2010 were overstated by \$246,553 in the Sewer Operating Fund of the Enterprise Fund Types for memo amounts received and disbursed by OWDA on behalf of the Village which were posted twice. Conversely, Other Debt Proceeds and Capital Outlay expenditures in the amount of \$83,926 in 2011 and \$135,413 in 2010 in the Sewer Operating Fund of the Enterprise Fund Type were understated for memo amounts received and disbursed by OWDA on behalf of the Village which were not posted.

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

We recommend the Finance Director post all transactions in accordance with the guidance established by the Ohio Village Handbook Appendix A-2 Village Chart of Accounts issued by the Auditor of State. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Finance Director and management to ensure that errors and omissions are detected and corrected.

**Officials' Response:**

The Village will attempt to correct these weaknesses.



VILLAGE OF SWANTON  
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010

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>
2009-001	Material Weakness - Monitoring of Financial Activity	No	Repeated as Finding Number 2011-001 in this report.

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# Dave Yost • Auditor of State

VILLAGE OF SWANTON

FULTON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 20, 2012