



Dave Yost • Auditor of State

VILLAGE OF SWANTON
FULTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements 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, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Swanton, Fulton County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 16, 2016

**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, 2015**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|--|--------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$106,675 | \$162,648 | | \$269,323 |
| Municipal Income Tax | 1,333,537 | | | 1,333,537 |
| Intergovernmental | 103,328 | 197,496 | \$190,283 | 491,107 |
| Special Assessments | 65,957 | | | 65,957 |
| Charges for Services | 31,045 | 635,487 | 25,000 | 691,532 |
| Fines, Licenses and Permits | 53,288 | | | 53,288 |
| Earnings on Investments | 6,192 | 319 | | 6,511 |
| Miscellaneous | 22,411 | 4,037 | | 26,448 |
| <i>Total Cash Receipts</i> | <u>1,722,433</u> | <u>999,987</u> | <u>215,283</u> | <u>2,937,703</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 747,647 | 754,163 | | 1,501,810 |
| Leisure Time Activities | 26,479 | 70,503 | | 96,982 |
| Community Environment | 35,278 | | | 35,278 |
| Basic Utility Services | 51,238 | | | 51,238 |
| Transportation | 271,335 | 164,694 | | 436,029 |
| General Government | 414,356 | | | 414,356 |
| Capital Outlay | | | 406,356 | 406,356 |
| Debt Service: | | | | |
| Principal Retirement | | 13,480 | 7,152 | 20,632 |
| <i>Total Cash Disbursements</i> | <u>1,546,333</u> | <u>1,002,840</u> | <u>413,508</u> | <u>2,962,681</u> |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>176,100</u> | <u>(2,853)</u> | <u>(198,225)</u> | <u>(24,978)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Other Debt Proceeds | 81,488 | | | 81,488 |
| Transfers Out | (225,000) | | | (225,000) |
| Other Financing Uses | (16,788) | | | (16,788) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(160,300)</u> | | | <u>(160,300)</u> |
| <i>Net Change in Fund Cash Balances</i> | 15,800 | (2,853) | (198,225) | (185,278) |
| <i>Fund Cash Balances, January 1</i> | <u>2,215,248</u> | <u>711,774</u> | <u>792,873</u> | <u>3,719,895</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 708,921 | | 708,921 |
| Committed | | | 594,648 | 594,648 |
| Assigned | 40,162 | | | 40,162 |
| Unassigned | 2,190,886 | | | 2,190,886 |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,231,048</u> | <u>\$708,921</u> | <u>\$594,648</u> | <u>\$3,534,617</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)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|---------------------------|------------------------|---------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$1,610,597 | | \$1,610,597 |
| Fines, Licenses and Permits | | \$9,650 | 9,650 |
| <i>Total Operating Cash Receipts</i> | <u>1,610,597</u> | <u>9,650</u> | <u>1,620,247</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 359,015 | | 359,015 |
| Employee Fringe Benefits | 144,052 | | 144,052 |
| Contractual Services | 426,876 | | 426,876 |
| Supplies and Materials | 398,824 | | 398,824 |
| Claims | 7,000 | | 7,000 |
| Other | | 9,650 | 9,650 |
| <i>Total Operating Cash Disbursements</i> | <u>1,335,767</u> | <u>\$9,650</u> | <u>1,345,417</u> |
| <i>Operating Income</i> | <u>274,830</u> | | <u>274,830</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Intergovernmental | 222,260 | | 222,260 |
| Special Assessments | 473 | | 473 |
| Sale of Notes | 865,001 | | 865,001 |
| Other Debt Proceeds | 1,123,598 | | 1,123,598 |
| Capital Outlay | (1,788,632) | | (1,788,632) |
| Principal Retirement | (1,191,822) | | (1,191,822) |
| Interest and Other Fiscal Charges | (118,905) | | (118,905) |
| Other Financing Uses | (1,625) | | (1,625) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(889,652)</u> | | <u>(889,652)</u> |
| <i>Loss before Transfers</i> | <u>(614,822)</u> | | <u>(614,822)</u> |
| Transfers In | <u>225,000</u> | | <u>225,000</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(389,822)</u> | | <u>(389,822)</u> |
| <i>Fund Cash Balance, January 1</i> | <u>2,725,447</u> | | <u>2,725,447</u> |
| <i>Fund Cash Balance, December 31</i> | <u><u>\$2,335,625</u></u> | | <u><u>\$2,335,625</u></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)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|--|--------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$118,352 | \$147,936 | | \$266,288 |
| Municipal Income Tax | 1,250,136 | | | 1,250,136 |
| Intergovernmental | 88,222 | 231,818 | \$134,718 | 454,758 |
| Special Assessments | 65,017 | | | 65,017 |
| Charges for Services | 21,655 | 515,255 | 25,000 | 561,910 |
| Fines, Licenses and Permits | 46,415 | 758 | | 47,173 |
| Earnings on Investments | 7,900 | 396 | | 8,296 |
| Miscellaneous | 31,799 | 8,445 | | 40,244 |
| <i>Total Cash Receipts</i> | <u>1,629,496</u> | <u>904,608</u> | <u>159,718</u> | <u>2,693,822</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 735,856 | 674,336 | | 1,410,192 |
| Public Health Services | 27 | | | 27 |
| Leisure Time Activities | 12,000 | 50,887 | | 62,887 |
| Community Environment | 3,727 | | | 3,727 |
| Basic Utility Services | 43,735 | | | 43,735 |
| Transportation | 112,282 | 197,093 | | 309,375 |
| General Government | 434,457 | 2,538 | | 436,995 |
| Capital Outlay | | | 255,561 | 255,561 |
| Debt Service: | | | | |
| Principal Retirement | | 13,480 | 7,152 | 20,632 |
| <i>Total Cash Disbursements</i> | <u>1,342,084</u> | <u>938,334</u> | <u>262,713</u> | <u>2,543,131</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>287,412</u> | <u>(33,726)</u> | <u>(102,995)</u> | <u>150,691</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | | 200,000 | 200,000 |
| Transfers Out | (800,000) | | | (800,000) |
| Other Financing Uses | (11,026) | (5) | | (11,031) |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>(811,026)</u> | <u>(5)</u> | <u>200,000</u> | <u>(611,031)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(523,614)</u> | <u>(33,731)</u> | <u>97,005</u> | <u>(460,340)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>2,738,862</u> | <u>745,505</u> | <u>695,868</u> | <u>4,180,235</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | 888 | | | 888 |
| Restricted | | 711,774 | | 711,774 |
| Committed | | | 792,873 | 792,873 |
| Assigned | 333,392 | | | 333,392 |
| Unassigned | 1,880,968 | | | 1,880,968 |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,215,248</u> | <u>\$711,774</u> | <u>\$792,873</u> | <u>\$3,719,895</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)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|---------------------------|------------------------|---------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$1,616,479 | | \$1,616,479 |
| Fines, Licenses and Permits | | \$10,740 | 10,740 |
| Miscellaneous | 3,862 | | 3,862 |
| <i>Total Operating Cash Receipts</i> | <u>1,620,341</u> | <u>10,740</u> | <u>1,631,081</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 348,192 | | 348,192 |
| Employee Fringe Benefits | 138,124 | | 138,124 |
| Contractual Services | 296,571 | | 296,571 |
| Supplies and Materials | 322,973 | | 322,973 |
| Claims | 7,307 | | 7,307 |
| Other | | 10,740 | 10,740 |
| <i>Total Operating Cash Disbursements</i> | <u>1,113,167</u> | <u>\$10,740</u> | <u>1,123,907</u> |
| <i>Operating Income</i> | <u>507,174</u> | | <u>507,174</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Intergovernmental | 115,003 | | 115,003 |
| Special Assessments | 3,832 | | 3,832 |
| Sale of Notes | 890,001 | | 890,001 |
| Other Debt Proceeds | 561,200 | | 561,200 |
| Capital Outlay | (1,277,254) | | (1,277,254) |
| Principal Retirement | (901,305) | | (901,305) |
| Interest and Other Fiscal Charges | (108,889) | | (108,889) |
| Other Financing Uses | (19,972) | | (19,972) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(737,384)</u> | | <u>(737,384)</u> |
| <i>Loss before Transfers</i> | <u>(230,210)</u> | | <u>(230,210)</u> |
| Transfers In | <u>600,000</u> | | <u>600,000</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>369,790</u> | | <u>369,790</u> |
| <i>Fund Cash Balance, January 1</i> | <u>2,355,657</u> | | <u>2,355,657</u> |
| <i>Fund Cash Balance, December 31</i> | <u><u>\$2,725,447</u></u> | | <u><u>\$2,725,447</u></u> |

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, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Accounting Basis

These financial statements follow the accounting basis 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.

C. Deposits

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

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

3. Capital Project Funds

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

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

4. Enterprise Funds

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

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

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

5. 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.

VILLAGE OF SWANTON
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

VILLAGE OF SWANTON
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. 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:

| | | |
|-----------------|--------------------|--------------------|
| | 2015 | 2014 |
| Demand deposits | <u>\$5,870,242</u> | <u>\$6,445,342</u> |

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

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,601,566 | \$1,803,921 | \$202,355 |
| Special Revenue | 1,190,513 | 999,987 | (190,526) |
| Capital Projects | 245,000 | 215,283 | (29,717) |
| Enterprise | 4,632,370 | 4,046,929 | (585,441) |
| Total | \$7,669,449 | \$7,066,120 | (\$603,329) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,934,958 | \$1,788,121 | \$146,837 |
| Special Revenue | 1,080,959 | 1,002,840 | 78,119 |
| Capital Projects | 683,236 | 413,508 | 269,728 |
| Enterprise | 5,432,278 | 4,436,751 | 995,527 |
| Total | \$9,131,431 | \$7,641,220 | \$1,490,211 |

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,572,250 | \$1,629,496 | \$57,246 |
| Special Revenue | 951,570 | 904,608 | (46,962) |
| Capital Projects | 551,350 | 359,718 | (191,632) |
| Enterprise | 4,703,850 | 3,790,377 | (913,473) |
| Total | \$7,779,020 | \$6,684,199 | (\$1,094,821) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,195,990 | \$2,153,110 | \$42,880 |
| Special Revenue | 1,090,336 | 938,339 | 151,997 |
| Capital Projects | 740,679 | 262,713 | 477,966 |
| Enterprise | 5,059,103 | 3,420,587 | 1,638,516 |
| Total | \$9,086,108 | \$6,774,749 | \$2,311,359 |

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Authority either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

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**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|---------------------|----------------------|
| Bond Anticipation Notes | \$ 865,000 | 1.47% |
| <u>Ohio Water Development Authority Loans:</u> | | |
| Water Plant Improvements | 243,653 | 7.00% |
| Broadway Ave. Sewer Separation | 336,580 | 2.75% |
| Wastewater Treatment Plant Improvements | 310,104 | 2.75% |
| Fulton St. Sewer Separation - No. 1 | 512,920 | 2.78% |
| Fulton St. Sewer Separation - No. 2 | 511,333 | 2.04% |
| GAC Improvements | 1,384,355 | |
| <u>Ohio Public Works Commission:</u> | | |
| E. Garfield Ave. Improvements | 5,898 | 0.00% |
| Dodge St. Improvements | 13,719 | 0.00% |
| Various Street Improvements (Ivy, Miller, etc.) | 20,562 | 0.00% |
| Wastewater Treatment Plant Improvements | 57,869 | 0.00% |
| Munson Rd. Waterline | 31,516 | 0.00% |
| Elm and W. St. Clair St. Improvements | 30,373 | 0.00% |
| Fulton St. Waterline Improvements | 41,810 | 0.00% |
| Fulton St. Sewer Improvements | 72,000 | 0.00% |
| Holiday Lane Sanitary Sewer | 81,938 | 0.00% |
| Wastewater Treatment Plant - Phosphorous Removal | 175,000 | 0.00% |
| <u>Commercial Loan:</u> | | |
| Dump Truck | 75,182 | 4.14% |
| Total | <u>\$ 4,769,812</u> | |

Bond Anticipation Notes of \$865,000 due August 12, 2016 for water improvements and the purchase of land for the reservoir are rolled over each year with no preset requirement for reducing the total notes outstanding.

The Village has received the following loans from OWDA:

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

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

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

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

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

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

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

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

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

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

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

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

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 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.

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

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

| Year ending December 31: | Bond Anticipation Notes | OWDA Loans | OPWC Loans | Commercial Loan |
|-----------------------------|-------------------------------|--------------------|------------------|--------------------|
| 2016 | \$877,716 | \$277,364 | \$42,650 | \$27,163 |
| 2017 | | 187,691 | 42,650 | 27,163 |
| 2018 | | 98,017 | 38,538 | 27,163 |
| 2019 | | 98,017 | 34,425 | |
| 2020 | | 98,017 | 34,425 | |
| 2021-2025 | | 490,084 | 160,247 | |
| 2026-2030 | | 369,900 | 96,277 | |
| 2031-2035 | | 82,996 | 66,466 | |
| 2036-2340 | | | 10,716 | |
| 2041-2322 | | | 4,287 | |
| Total | <u>\$877,716</u> | <u>\$1,702,086</u> | <u>\$530,681</u> | <u>\$81,489</u> |

7. 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 2015 and 2014, OP&F participants contributed 10.75% (January 1, 2014 – June 30, 2014), 11.50% (July 1, 2014 – June 30, 2015), and 12.25% (July 1, 2015 – December 31, 2015) of their wages. For 2015 and 2014, 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 2015 and 2014, 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, 2015.

8. RISK MANAGEMENT

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

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

**VILLAGE OF SWANTON
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

| | 2013 | 2014 |
|-----------------|--------------|--------------|
| Assets | \$13,774,304 | \$14,830,185 |
| Liabilities | (7,968,395) | (8,942,504) |
| Members' Equity | \$5,805,909 | \$5,887,681 |

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

9. INTERFUND TRANSACTIONS

During 2015 and 2014, the following transfers were made:

| | 2015 Transfers From General | 2014 Transfers From General |
|--------------------------|-----------------------------------|-----------------------------------|
| Capital Improvement Fund | | \$200,000 |
| Water Fund | \$25,000 | 600,000 |
| Sewer Fund | 200,000 | |
| Total | \$225,000 | \$800,000 |

VILLAGE OF SWANTON
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

10. LEASES

The Village entered into lease purchase agreements for vehicles for the Police and Fire departments. The vehicles consisted of two police cruiser and a pumper truck. The lease for the police cruisers was entered into in 2015. Lease payments in the amount of \$56,911 (\$52,669 principal and \$4,242 interest) were made in 2012 and \$32,350 (\$26,822 principal and \$5,528 interest) in 2014. The payments were made from the General fund (police cruisers) and Capital Improvements fund (pumper truck). The principal amounts due on outstanding leases were \$105,836.

Future lease payments, including interest, are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2016 | \$56,911 |
| 2017 | 56,911 |
| Total | <u>\$113,822</u> |

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Dave Yost • Auditor of State

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

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

To the Village Council

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the 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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 16, 2016 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 material weaknesses 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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-001 through 2015-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-004 and 2015-005 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*.

Entity'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 audit the Village's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 16, 2016

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

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

The 2015 and 2014 financial statements contained errors, such as the following:

- State of Ohio fire and rescue grant receipts of \$44,285 were recorded as reductions of expenditures rather than intergovernmental revenue in the Fire and Rescue fund in 2014.
- The remittance of dog tag fees collected of \$9,650 and \$10,740 to the Fulton County Auditor was recorded as refunds of receipts instead of fees, licenses and permits in the Other Agency fund in 2015 and 2014, respectively.
- Ohio Public Works Commission loan proceeds of \$56,541 for the phosphorous removal project at the wastewater treatment plan were recorded as intergovernmental revenue rather than other debt proceeds in the Sewer fund.
- Expenditures totaling \$85,960 were improperly recorded as Other Financing Uses in the General Fund for 2015. These should have been recorded as Security of Persons and Property (\$13,611), Leisure Time Activities (\$26,479), Community Environment (\$26,124), Transportation (\$7,967), and General Government (\$11,779).
- Expenditures totaling \$67,664 were improperly recorded as Other Financing Uses in the Sewer Fund for 2015. These should have been recorded as Contractual Services (\$5,955) and Capital Outlay (\$61,709).
- Expenditures totaling \$57,986 were improperly recorded as Other Financing Uses in the General Fund for 2014. These should have been recorded as Security of Persons and Property (\$5,500), Leisure Time Activities (\$12,000), Transportation (\$7,217), and General Government (\$33,269).

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

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Finance Director and Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

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

Officials' Response:

State of Ohio Fire and Rescue Grant receipts were improperly recorded. This was done by my predecessor before my tenure began. In the future, I will reach out to UAN support or the Auditors of State to inquire about proper recording.

The remittance of dog tags collected were improperly recorded. Much of this work was done by my predecessor before my tenure began. Like many other things, my predecessor did not instruct me on this procedure. Therefore, I had to research how it was done in the past through UAN, and I continued to do it the same way. Mr. French and Mr. Jesse instructed that it should be receipted in as revenue and then expensed out through an appropriation. Since learning of that information, I process the dog tags accordingly. Additionally, a binder is now located beside the dog tags at the front window to record the information for each dog tag sold.

Ohio Public Works Commission loan proceeds were being improperly recorded. This was done by my predecessor. In the future, I will reach out to UAN support or the Auditors of State to inquire about proper recording.

Expenditures totaling \$85,960 were improperly recorded in the General Fund for 2015. I must believe this was mostly, if not all, the work of my predecessor, as my tenure did not begin until September 14, 2015. In the future, I will reach out to UAN support or the Auditors of State to inquire about proper recording.

Expenditures totaling \$67,664 were improperly recorded in the Sewer Fund for 2015. I must believe this was mostly, if not all, the work of my predecessor, as my tenure did not begin until September 14, 2015. In the future, I will reach out to UAN support or the Auditors of State to inquire about proper recording.

Expenditures totaling \$57,986 were improperly recorded in the General Fund for 2014. This was the work of my predecessor. In the future, I will reach out to UAN support or the Auditors of State to inquire about proper recording.

FINDING NUMBER 2015-002

Material Weakness – GASB 54 Fund Balance Reporting

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

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

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

The Capital Projects fund is primarily funded with local income taxes which are transferred from General fund by action of Council, whereby committing these funds to capital project expenditures. The fund balances of the Capital Projects fund \$594,648 in 2015 and \$792,873 in 2014 were classified as restricted instead of committed.

The General Fund had encumbrances of \$15,814 outstanding at December 31, 2015. This amount should have been recognized as assigned for unpaid obligations instead of being classified as unassigned.

The 2016 and 2015 annual appropriation measures for the General fund were adopted on March 14, 2016 and November 23, 2015. Total appropriations for both measures exceeded estimated receipts as follows:

| | 2016 | 2015 |
|-------------------------------|-------------|-------------|
| Estimated Receipts | \$1,665,000 | \$1,601,566 |
| Appropriations | 1,689,348 | 1,927,444 |
| Deficit | (24,348) | (325,878) |
| Amount Recognized as Assigned | | 63,898 |
| Variance | (\$24,348) | (\$261,980) |

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

Adjustments were recorded to the 2015 and 2014 financial statements to change the above differences in fund balance classification.

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Finance Director and Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

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

Officials' Response:

In regards to annual appropriation measures exceeding estimated receipts for 2016 and 2015, the Interim Administrator and I believed there were funds available "in reserve" that were not appropriated and, further, we believed we could increase appropriations if there were funds available in reserve. We believed the funds were available in reserve based on the comparison of the Amended Certificate to appropriations in UAN.

The work performed prior to September 14, 2015 was that of the former administration.

FINDING NUMBER 2015-003

Material Weakness – Failure to Record On-Behalf-Of Activity

Auditor of State Bulletin 2000-08 requires that when an entity enters into an "on-behalf-of" program with another government whereby the entity is the beneficiary under the agreement, the cash value benefit of the program should be recorded as memorandum receipts and disbursements in the year the "on-behalf-of" payments are made. Government Accounting Standard Board (GASB) Statement #24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, provides accounting and financial reporting for certain grants and other financial assistance including pass-through grants.

Auditor of State Bulletin 2002-004 sets forth the accounting treatment for infrastructure projects funded through the Ohio Public Works Commission (OPWC).

The Village was the beneficiary of an Ohio Water Development Authority (OWDA) loan in 2015 (\$776,660) and 2014 (\$561,200) for the granular activated carbon (GAC) improvements project which the proceeds were sent directly to the vendors by OWDA. In addition, the Village was the beneficiary of an OWDA grant in 2015 (\$221,993) and 2014 (\$115,003) for the GAC improvement project.

The Village was the beneficiary of Ohio Public Works Commission (OPWC) loans in 2015 for the Holiday Lane sanitary sewer improvements project (\$10,864) and the phosphorous removal project at the wastewater treatment plant (\$152,266) which were sent directly to the vendors by OPWC.

The activity noted above was not recorded in the accounting records of the Village, nor on the Village's financial statements.

Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities.

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

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Finance Director and Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements are complete and accurate, we recommend the Finance Director Finance post all transactions in accordance with the guidance of Auditor of State Bulletins 2000-008 and 2002-004, which describes the proper accounting treatment for "on-behalf-of" programs and post all "on-behalf of" monies to the Village's financial ledgers. Furthermore, Council should adopt policies and procedures, including a final review of the statements, to identify and correct errors and omissions.

Officials' Response:

Failure to record On-Behalf-Of Activity. The Interim Administrator found a folder in the office of the Village Administrator containing loan information for payments issued "on-behalf-of" for 2015, and I posted those. Based upon that finding, it would seem as if the former Village Administrator received the information, but did not report or forward the information onto the Finance Director, my predecessor. Without the information being reported to the Finance Director, she would not have known to record or post said transactions.

The current Village Administrator informed me I will be listed as the point of contact for all correspondence of this nature going forward for new projects taking place in the Village.

FINDING NUMBER 2015-004

Significant Deficiency – Monitoring Controls

Sound accounting practices require a segregation of duties where possible and increased monitoring control be used when segregation of duties is not feasible due to a small number of employees. This ensures financial data is accurately presented and helps to ensure resources are being efficiently and effectively utilized. A key aspect of this monitoring process is regular and thorough monitoring by management and a continuing adherence to the budget limits established by Village Council.

There was a lack of segregation of duties in the posting of utility receipts, nonpayroll, and payroll transactions. Council's review of Village finances was limited to manually prepared list of bills and occasional fund status reports. Reviews such as these do not allow Council to adequately monitor the financial condition of the Village. Lack of controls has resulted in errors occurring without timely detection by management.

We recommend the following controls be implemented:

- Council and the Administrator should review monthly financial reports that include month-to-date and year-to-date receipt and disbursement totals; budget to actual receipts and disbursements at the legal level of controls; and the balances in each fund. Reports such as these should be generated utilizing the Village's computerized accounting system. Council and the Administrator should use these reports as a tool to monitor the Village's financial situation and adapt budgets in anticipation of changing circumstances. Reports should be approved in the minutes and copies should be retained in the Council agendas.
- Council and/or the Administrator should examine monthly general and payroll bank reconciliations as well as a detailed list of outstanding checks. Council and/or the Administrator should occasionally compare information on the bank reconciliations to supporting documentation and review the outstanding check list for any unusual items.
- Council and/or Administrator should review payroll reports to ensure employees are being paid the correct rate of pay and there are no unusual transactions.
- Council and/or Administrator should periodically review detailed revenue and expenditure reports to ensure transactions are being properly posted.

Officials' Response:

Based upon the size of the Village of Swanton administrative staff, segregation of duties is difficult. However, since my tenure began in September 2015 and even since the audit was completed, the front office staff has been given more job duties and responsibilities to help manage workflow, which also helps segregate some of these duties.

When I began my tenure, no one advised me what should get reported to Council. When I spoke to several Council members, I was told they were never shown any reports or information. At the time of this audit, Mr. French and Mr. Jesse provided a list of recommended reports to provide to Council. Since that time, I have presented those reports monthly as part of the Finance Committee meeting.

FINDING NUMBER 2015-005

Significant Deficiency – Appropriations Posted to the Accounting System

Appropriations recorded in the Village's ledgers should reflect amounts approved by the Village Council. The approved General Fund appropriations for 2014 totaled \$2,195,990 and the amount posted in the UAN system was \$2,277,707, for a variance of \$81,717.

The former Finance Director posted an appropriation adjustment that was never presented to Council for approval.

Failure to accurately reflect budgetary figures in the accounting records could result in poor management decisions and possible deficit spending. We recommend appropriations be reported based on amounts approved by the Village Council.

Officials' Response:

Appropriations Posted to the Accounting System that were never reported to Council in 2014. This was done by my predecessor. All increases or requests for increases have been presented to Council since my tenure began, and will continue in the future.

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2013-001 | Material weakness due to errors in financial statement reporting. | No | Not corrected. Reissued as finding 2015-001 in this report. |
| 2013-002 | Material weakness due to errors in classification of year end fund balances. | No | Not corrected. Reissued as finding 2015-002 in this report. |
| 2013-003 | Ohio Rev. Code § 5705.09 (F) and Material Weakness for not establishing a separate fund and report grant activity passed through the Federal Emergency Management Agency. | Yes | |



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
JULY 5, 2016