



Dave Yost • Auditor of State



**SWANCREEK TOWNSHIP  
FULTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***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 Swanecreek Township, Fulton County, Ohio, (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 Township'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 Township'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 2 of the financial statements, the Township 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 Township 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 Township as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Swan Creek Township, Fulton County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2015, the Township elected to change its reporting of its cemetery bequest funds from permanent funds to private purpose trust funds to more appropriately reflect the activity of these funds. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 14, 2017

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**Swan Creek Township**  
Fulton County, Ohio

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$195,395	\$395,443		\$590,838
Licenses, Permits and Fees	35,421	29,400		64,821
Intergovernmental	73,739	233,305	\$283,837	590,881
Earnings on Investments	3,714	497		4,211
Miscellaneous	33,000	11,636		44,636
<i>Total Cash Receipts</i>	<u>341,269</u>	<u>670,281</u>	<u>283,837</u>	<u>1,295,387</u>
<b>Cash Disbursements</b>				
Current:				
General Government	251,223	13,529		264,752
Public Safety		205,193	283,837	489,030
Public Works	84,335	385,163		469,498
Health		22,880		22,880
Human Services	843	9,554		10,397
Capital Outlay	625	70,836		71,461
<i>Total Cash Disbursements</i>	<u>337,026</u>	<u>707,155</u>	<u>\$283,837</u>	<u>1,328,018</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,243</u>	<u>(36,874)</u>		<u>(32,631)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		25,775		25,775
Transfers Out	(25,775)			(25,775)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,775)</u>	<u>25,775</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(21,532)</u>	<u>(11,099)</u>		<u>(32,631)</u>
<i>Fund Cash Balances, January 1</i>	<u>463,017</u>	<u>813,154</u>		<u>1,276,171</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		716,123		716,123
Committed		85,932		85,932
Unassigned	441,485			441,485
<i>Fund Cash Balances, December 31</i>	<u>\$441,485</u>	<u>\$802,055</u>		<u>\$1,243,540</u>

See accompanying notes to the basic financial statements

**Swanecreek Township**  
*Fulton County, Ohio*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2016*

	Fiduciary Fund Type
	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$12
<b>Operating Cash Disbursements</b>	
Supplies and Materials	75
<i>Net Change in Fund Cash Balances</i>	(63)
<i>Fund Cash Balances, January 1</i>	4,197
<i>Fund Cash Balances, December 31</i>	<u>\$4,134</u>

*See accompanying notes to the basic financial statements*

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Swancreek Township, Fulton County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with several area fire departments to provide fire services and to provide ambulance services.

The Township participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

**Gas Tax Fund** This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**Road and Bridge Fund** The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

**Fire Levy Fund** This fund receives property tax money for providing fire protection services.

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

**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 Township had the following significant Capital Project

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

Fund:

**Ohio Public Works Commission Fund** The Township received a grant from the Ohio Public Works Commission to improve a road within the Township.

**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 Township's own programs.

The Township's private purpose trust funds are to pay for flowers and wreaths for graves of people stated in the trust agreement and provides payment for services for displaying the flowers on the graves twice a year.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township'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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

approximates fair value.

**Capital Assets**

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

**Accumulated Leave**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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

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

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

**Note 3 – Budgetary Activity**

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

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$330,816	\$341,269	\$10,453
Special Revenue	681,558	696,056	14,498
Capital Projects	128,601	283,837	155,236
Fiduciary	3	12	9
Total	\$1,140,978	\$1,321,174	\$180,196

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$451,296	\$362,801	\$88,495
Special Revenue	1,065,055	707,155	357,900
Capital Projects	128,601	283,837	(155,236)
Fiduciary	70	75	(5)
Total	\$1,645,022	\$1,353,868	\$291,154

**Note 4 – Deposits**

***Deposits and Investments***

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2015 was as follows:

	<b>2016</b>
Demand Deposits	\$165,822
STAR Ohio	1,081,852
Total Deposits and Investments	\$1,247,674

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

taxes on behalf of the Township.

**Note 6 – Risk Management**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

**Note 7 – Retirement Systems**

***Ohio Public Employees Retirement System***

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

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System must have Social Security withheld. In 2016, the fiscal officer had Social Security withheld. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

**Lease**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
John Deere Utility Tractor Capital Lease	\$42,084	4.00%

In April 2015, the Township entered into a lease agreement for a 2014 John Deere 6105M utility cab tractor with load at a net cost of \$64,950 less trade-in, paid in five years with semi-annual payments of \$7,094, beginning in 2015, at the interest rate of 4.0%. At the completion of the lease, on April 29, 2020, the Township has the option to purchase the tractor at the price of \$1.

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

	John Deere Tractor Lease
Year ending December 31:	
2017	\$14,188
2018	14,188
2019	14,188
Total	\$42,564

During the year, the Township discharged the lease on the 2015 Ford F-550 truck, exercising the option to purchase the truck at the price of \$1.



**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 10 - Interfund Balances**

Transfers in the total amount of \$25,775 were made from the General fund to the Motor Vehicle License Tax fund, \$25,000 and Zoning fund, \$775.

**Note 11 – Miscellaneous Revenues**

Miscellaneous revenues of \$33,000 were reported in the General fund consisted primarily of reimbursements received from other governments.

**Swan Creek Township**  
Fulton County, Ohio

*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)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$178,090	\$437,889		\$615,979
Charges for Services	1,435			1,435
Licenses, Permits and Fees	35,635	20,035		55,670
Intergovernmental	39,555	144,594	\$78,665	262,814
Earnings on Investments	1,759	521		2,280
Miscellaneous	13,439	10,510		23,949
<i>Total Cash Receipts</i>	<u>269,913</u>	<u>613,549</u>	<u>78,665</u>	<u>962,127</u>
<b>Cash Disbursements</b>				
Current:				
General Government	287,497	10,561		298,058
Public Safety		278,304		278,304
Public Works		465,789	78,665	544,454
Health		49,891		49,891
Human Services	531			531
Capital Outlay		54,344		54,344
<i>Total Cash Disbursements</i>	<u>288,028</u>	<u>858,889</u>	<u>\$78,665</u>	<u>1,225,582</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(18,115)</u>	<u>(245,340)</u>		<u>(263,455)</u>
<i>Fund Cash Balances, January 1</i>	<u>481,132</u>	<u>1,058,494</u>		<u>1,539,626</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		779,740		779,740
Committed		33,414		33,414
Assigned	121,469			121,469
Unassigned	341,548			341,548
<i>Fund Cash Balances, December 31</i>	<u>\$463,017</u>	<u>\$813,154</u>		<u>\$1,276,171</u>

See accompanying notes to the basic financial statements

**Swanecreek Township**  
*Fulton County, Ohio*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2015*

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	Fiduciary Fund Type
	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$5
<i>Fund Cash Balances, January 1</i>	4,192
<i>Fund Cash Balances, December 31</i>	<u>\$4,197</u>

*See accompanying notes to the basic financial statements*

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Swancreek Township, Fulton County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with several area fire departments to provide fire services and to provide ambulance services.

The Township participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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***Fund Accounting***

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**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

Fund:

**Ohio Public Works Commission Fund** The Township received a grant from the Ohio Public Works Commission to improve a road within the Township.

**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 Township's own programs.

The Township's private purpose trust funds are to pay for flowers and wreaths for graves of people stated in the trust agreement and provides payment for services for displaying the flowers on the graves twice a year.

***Basis of Accounting***

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

**Encumbrances** The Ohio Revised Code requires the Township 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 budgetary activity appears in Note 5

***Deposits and Investments***

The Township'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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

approximates fair value.

**Capital Assets**

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

**Accumulated Leave**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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

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

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

**Note 3 – Accounting Change**

During 2015, the Township changed the accounting of its cemetery bequest funds to Private Purpose Trust funds. These funds were previously reported as permanent funds. The funds had a balance of \$4,197 at January 1, 2015.

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 4 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriations authority in the Fire Levy fund by \$57,483 and in the Permissive Motor Vehicle License Tax fund by \$9,810 for the year ended December 31, 2015.

**Note 5 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,879	\$269,913	(\$32,966)
Special Revenue	735,855	613,549	(122,306)
Capital Projects	303,548	78,665	(224,883)
Fiduciary	3	5	2
Total	\$1,342,285	\$962,132	(\$380,153)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$354,268	\$289,082	\$65,186
Special Revenue	838,007	861,260	(23,253)
Capital Projects	303,548	78,665	224,883
Total	\$1,495,823	\$1,229,007	\$266,816

**Note 6 – Deposits**

***Deposits and Investments***

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2015 was as follows:

	<b>2015</b>
Demand Deposits	\$148,347
STAR Ohio	1,132,021
Total Deposits and Investments	\$1,280,368

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 7 – Property Taxes**

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 Township.

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

**Note 8 – Risk Management**

The Township 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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 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, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>



**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

**Note 9 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Note 10 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 11 – Debt**

***Leases***

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ford F-550 Truck Capital Lease	\$53,554	5.95%
John Deere Utility Tractor Capital Lease	55,940	4.00%
Total	\$109,494	

In August 2014, the Township entered into a lease agreement for a 2015 Ford F-550 truck at a total cost of \$89,455, paid in five years with annual payments of \$20,016, beginning in 2014, at the interest rate of 5.95%. At the completion of the lease, on August 5, 2018, the Township has the option to purchase the truck at the price of \$1.

In April 2015, the Township entered into a lease agreement for a 2014 John Deere 6105M utility cab tractor with load at a net cost of \$64,950 less trade-in, paid in five years with semi-annual payments of \$7,094, beginning in 2015, at the interest rate of 4.0%. At the completion of the lease, on April 29, 2020, the Township has the option to purchase the tractor at the price of \$1.

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

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

Year ending December 31:	F-550 Truck Lease	F-550 Truck Lease
2016	\$20,016	\$14,188
2017	20,016	14,188
2018	20,016	14,188
2019		14,188
Total	<u>\$60,048</u>	<u>\$56,752</u>



# 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*

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

To the Board of Trustees:

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 Swanecreek Township, Fulton County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township changed its accounting of its cemetery bequest funds to report these as private purpose trust funds rather than permanent funds.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant

deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-004.

***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 Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 14, 2017

**SWANCREEK TOWNSHIP  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness – Fund Balance Classification**

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.

“Assigned” fund balances include amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. When appropriation measures are adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned.

In 2017, the General fund had estimated revenues of \$277,100 which exceeded the appropriations of \$135,052 thereby having no assignment for 2016. The entire 2016 fund balance was erroneously reported as being assigned rather than unassigned. In 2016, the General fund had appropriations of \$451,231, encumbrances of \$1,054 and estimated revenues of \$330,816 thereby assigning \$121,469 of the reported 2015 ending fund balance. The entire 2015 fund balance was erroneously reported as being assigned.

These errors occurred as a result of a lack of understanding of GASB 54 requirements. Audit adjustments have been made to the financial statements to properly report the year end fund balances as assigned and unassigned.

In order to help ensure the Township’s governmental fund balances are reported in accordance with GASB 54, we recommend the Township review Auditor of State Bulletin 2011-004.

**FINDING NUMBER 2016-002**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Due to the lack of final review of financial statements the following errors were noted that required audit adjustments:

1. During the audit of the 2013 and 2014 financial statements, adjustments were made to recognize “On-Behalf-of” OPWC Grants in the amount of \$224,883. In 2015, the Fiscal Officer posted this activity with current period activity. This resulted in the Capital Project fund revenues and expenditures being overstate by that amount.
2. In 2016, the Township made expenditures of \$84,335 from the General fund for road repairs. These were erroneously classified as Capital Outlay rather than as Public Works Expenditures. The Township also purchased new “turn-out gear” for the Delta Fire Department from the Fire Levy Fund. This purchase of \$70,889 was erroneously classified as Capital Outlay rather than a Public Safety Expenditure.

The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in the funds noted.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Trustees, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the workbook for Township cash basis Annual Financial Report and Auditor of State's Ohio Township Handbook.

### **FINDING NUMBER 2016-003**

#### **Material Weakness – Recording “On-Behalf-of” Grants**

The Township was the beneficiary of Ohio Public Works Commission (the Commission) money in 2016 (\$283,837) which was sent directly to the vendor by the Commission. This activity was not fully recorded on the accounting records of the Township, nor on the Township's financial statements. Since the Commission paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund.

These errors were not identified and corrected due to deficiencies in the Township's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

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

### **FINDING NUMBER 2016-004**

#### **Noncompliance**

**Ohio Revised Code § 5705.41(B)** provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided for in Chapter 5705.

Expenditures exceeded appropriations in the Fire Levy Fund by \$57,483 and the Permissive Motor Vehicle License Fund by \$9,810 at December 31, 2015.

These errors were not identified and corrected due to deficiencies in the Township's internal controls over budgetary activity monitoring. Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored could result in overspending. The Township should obtain a certificate for appropriations from the County Auditor as required, so expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriation limitations. In addition, appropriations should be increased as needed, and if necessary, the corresponding estimated resources should be amended.

**Officials' Response:**

We did not receive a response from Officials to these findings



<b>BOARD OF TRUSTEES</b>  RICK KAZMIERCZAK 419-708-6290 RON HOLDEMAN 419-490-8205 PHIL WILAND 419-822-3897	5565 County Road D, Delta, Ohio 43515  Phone: 419-822-4371 Fax: SAME
Website: <a href="http://www.swancreektpw.org">www.swancreektpw.org</a>	

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness due to incorrect fund balance classifications per GASB 54.	Not Corrected	Fiscal Officer was not aware of all the fund balance classification requirements of GASB statement 54. Planned corrective action will be to review AOS Bulletin 2011-004 prior to next year's financial filing
2014-002	Material weakness due to errors in financial reporting.	Not Corrected	Fiscal Officer was not aware of misposting of these amounts. Planned corrective action will be to review the future financial activity prior to report preparation.
2014-003	Material Weakness – Recording "On-Behalf-of" grants.	Partially Corrected	Fiscal Officer was not aware how to verify actual activity. Planned corrective action will be to verify OPWC activity for accuracy.





# Dave Yost • Auditor of State

**SWANCREEK TOWNSHIP**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 30, 2017**