



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SWANTON
FULTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Swanton, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Swanton, Fulton County, Ohio as of December 31, 2019 and 2018, 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 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. 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 August 24, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

August 24, 2020

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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, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$117,103	\$184,711		\$301,814
Municipal Income Tax	1,964,098			1,964,098
Intergovernmental Revenue	113,124	392,978	\$338,447	844,549
Special Assessments	74,330			74,330
Charges for Services	16,368	864,689	23,958	905,015
Fines, Licenses and Permits	78,915			78,915
Earnings on Investments	93,161	14,523		107,684
Miscellaneous	33,274	44,711		77,985
<i>Total Cash Receipts</i>	<u>2,490,373</u>	<u>1,501,612</u>	<u>362,405</u>	<u>4,354,390</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	821,920	1,127,170		1,949,090
Public Health Services	500			500
Leisure Time Activities	29,684	185,338		215,022
Community Environment	47,494			47,494
Basic Utility Services	33,616			33,616
Transportation	167,145	107,650		274,795
General Government	508,734			508,734
Capital Outlay		112,431	595,556	707,987
Debt Service:				
Redemption of Principal	23,859	5,255	7,152	36,266
Interest and Other Fiscal Charges	3,203			3,203
<i>Total Cash Disbursements</i>	<u>1,636,155</u>	<u>1,537,844</u>	<u>602,708</u>	<u>3,776,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>854,218</u>	<u>(36,232)</u>	<u>(240,303)</u>	<u>577,683</u>
Other Financing Receipts (Disbursements):				
Sale of Fixed Assets			41,991	41,991
Transfers In	162,000	245,000	280,000	687,000
Transfers Out	(1,364,000)			(1,364,000)
Other Financing Sources	457	53,579		54,036
Other Financing Uses	(10,864)			(10,864)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,212,407)</u>	<u>298,579</u>	<u>321,991</u>	<u>(591,837)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(358,189)</u>	<u>262,347</u>	<u>81,688</u>	<u>(14,154)</u>
<i>Fund Cash Balances, January 1</i>	<u>3,094,109</u>	<u>814,088</u>	<u>248,747</u>	<u>4,156,944</u>
Fund Cash Balances, December 31				
Nonspendable	392			392
Restricted		1,076,435		1,076,435
Committed			330,435	330,435
Assigned	466,618			466,618
Unassigned	2,268,910			2,268,910
<i>Fund Cash Balances, December 31</i>	<u>\$2,735,920</u>	<u>\$1,076,435</u>	<u>\$330,435</u>	<u>\$4,142,790</u>

See accompanying notes to the basic financial statements

VILLAGE OF SWANTON
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$1,946,161		\$1,946,161
Operating Cash Disbursements:			
Personal Services	376,506		376,506
Transportation	136,113		136,113
Contractual Services	482,496		482,496
Supplies and Materials	367,222		367,222
Other	4,688		4,688
<i>Total Operating Cash Disbursements</i>	<u>1,367,025</u>		<u>1,367,025</u>
<i>Operating Income</i>	<u>579,136</u>		<u>579,136</u>
Non-Operating Receipts (Disbursements):			
Sale of Notes	607,500		607,500
Other Debt Proceeds	56,189		56,189
Miscellaneous	20,634		20,634
Capital Outlay	(184,261)		(184,261)
Redemption of Principal	(1,062,785)		(1,062,785)
Interest and Other Fiscal Charges	(96,740)		(96,740)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(659,463)</u>		<u>(659,463)</u>
<i>Loss before Transfers</i>	<u>(80,327)</u>		<u>(80,327)</u>
Transfers In	1,771,900	\$15,000	1,786,900
Transfers Out	(1,109,900)		(1,109,900)
<i>Net Change in Fund Cash Balances</i>	<u>581,673</u>	<u>15,000</u>	<u>596,673</u>
<i>Fund Cash Balances, January 1</i>	<u>2,134,333</u>		<u>2,134,333</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,716,006</u></u>	<u><u>\$15,000</u></u>	<u><u>\$2,731,006</u></u>

See accompanying notes to the basic financial statements

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

Public Entity Risk Pools

The Village participates in a public entity risk pools. Notes 6 and 11 to the financial statements provide additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Capital Improvement Fund The capital improvement fund receives transfers from general fund income tax revenues and state and federal grants for governmental projects and contributions from fire and rescue contracts with other governments for related permanent improvements.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents and commercial users to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents and commercial users to cover sewer service costs.

Internal Service Fund This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Utility Billing Operating Fund The utility billing operating fund accounts for utility billing services provided to the water, sewer, and storm water enterprise funds of the Village.

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, with wages separately appropriated in all funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2019 budgetary activity appears in Note 3.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Deposits and Investments

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.

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 approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,447,412	\$2,652,830	\$205,418
Special Revenue	1,862,178	1,800,191	(61,987)
Capital Projects	885,062	684,396	(200,666)
Enterprise	4,462,726	4,402,384	(60,342)
Internal Service	15,000	15,000	
Total	\$9,672,378	\$9,554,801	(\$117,577)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,349,969	\$3,026,965	\$323,004
Special Revenue	1,909,241	1,545,628	363,613
Capital Projects	729,451	605,710	123,741
Enterprise	4,677,776	3,901,036	776,740
Total	\$10,666,437	\$9,079,339	\$1,587,098

Note 4 - Deposits and Investments

The Village 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 was as follows:

	2018
Demand deposits	\$1,281,562
CDARS	1,009,181
Total deposits	2,290,743
STAR Ohio	4,583,053
Total deposits and investments	\$6,873,796

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 - Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.50 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 Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2019.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Social Security

The other Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 - Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes	\$607,500	2.40%
Ohio Water Development Authority Loans	4,088,309	1.08% - 2.78%
Ohio Public Works Commission Loans	532,839	0.00%
Commercial Loan	80,213	3.16%
Capital Leases	294,530	4.69% - 6.50%
Total	<u>\$5,603,391</u>	

Bond Anticipation notes of \$607,500 are due August 7, 2020 for water improvements and the purchase of land for the reservoir and are rolled over each year with no preset requirement for reducing total notes outstanding. In total, there are three projects rolled into the Bond Anticipation note of which the Water Plant 2003 and Munson Road/CR2 projects are set to reach term limit in 2023 and 2021, respectively.

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

In 2007, a sewer separation project was mandated by Ohio Environmental Protection Agency (OEPA). The OWDA approved \$525,545 in loans to the Village for this project. The Village repays the loan in semiannual installments of \$17,169, including interest over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

In 2012 and 2013, two loans of \$594,795 and \$618,430 were received from OWDA for the Fulton Street sewer separation project mandated by the OEPA. The Village repays the loan in variable semiannual installments, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Also, in 2013, a loan of \$1,786,708 was received from OWDA for the Granular Activated Carbon (GAC) improvement project to improve the Village's water plant. This loan included \$333,586 in debt forgiveness for total financing of \$1,453,134. The Village repays the loan in semiannual installments of \$31,885, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2016, a loan of \$744,943 was received from OWDA for the Clark Street sewer separation project mandated by the OEPA. The Village will repay the loan in variable semiannual installments, including interest, over 20 years. 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.

In 2018, OWDA approved a loan up to \$1,174,286 for sewer separation Project 7 mandated by the OEPA. The Village will repay the loan in variable semiannual installments, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No final amortization schedule is available as of the report date.

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

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

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

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

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

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

In 2018, a loan of \$86,007 for Project 7 sewer separation was received. The loan is to be repaid in semiannual installations over 20 years.

In 2015, the Village obtained a commercial loan of \$134,150 for the purchase of a new street sweeper. This is to be repaid in annual installments over 7 years.

Leases

The Village entered into lease purchase agreements for vehicles for the Police, Water, and Sewer departments. The vehicles consisted of two interceptors for the Police Department, a work truck for the Water Department, and a Vac-Con truck for the Sewer Department. Lease payments in the amount of \$113,534 (\$94,325 principal and \$19,209 interest) were made in 2019. The payments were made from the general fund (police interceptors), water fund (work truck), and sewer fund (Vac-Con truck).

Amortization

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

Year ending December 31:	Bond				
	Anticipation Notes	OWDA Loans	OPWC Loans	Commercial Loans	Capital Leases
2020	\$210,432	\$161,787	\$43,101	\$21,662	\$102,411
2021	411,648	161,787	41,854	21,662	75,349
2022		161,787	40,606	21,662	75,349
2023		161,788	40,606	21,662	75,349
2024		161,788	40,607		
2025-2029		723,091	156,037		
2030-2034		465,528	113,843		
2035-2039		318,853	49,755		
2040-2044		318,853	6,430		
Total	<u>\$622,080</u>	<u>\$2,635,262</u>	<u>\$532,839</u>	<u>\$86,648</u>	<u>\$328,458</u>

Note 10 - Construction and Contractual Commitments

As of December 31, 2019, the Village had the following outstanding contractual purchase commitment for the Project 10 sewer separation project:

	Amount	
	Contract Amount	Paid as of 12/31/2019
Underground Utilities, Inc.	\$1,037,028	\$1,037,028

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 11 - Public Entity Risk Pool

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

CareWorksComp is the plan administrator and manages all workers' compensation claims and discounts for group rating.

Note 12 - Contingent Liabilities

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

Note 13 - Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Note 14 - Compliance

Contrary to Ohio Rev. Code §5705.10(F) the Village recorded the proceeds of the sale of capital assets in the General and Recreation and Parks funds when these should have been recorded in a Capital Projects fund.

Note 15 - Interfund Transfers

During 2019, the following transfers were made:

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
General Fund		\$1,364,000
Police Operating	\$162,000	
Special Revenue Funds:		
Fire Operating	95,000	
EMS Operating	150,000	
Capital Projects Funds:		
Capital Projects	190,000	
Fire Capital	90,000	
Enterprise Funds:		
Water	245,000	323,900
WRRF	20,000	783,000
Storm Water		3,000
Water Capital	190,000	
WRRF Capital	707,000	
Water Debt Service	284,900	
WRRF Debt Service	299,000	
Utility Deposit	26,000	
Internal Service Fund:		
Utility Billing	15,000	
Total	<u>\$2,473,900</u>	<u>\$2,473,900</u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$120,541	\$191,246		\$311,787
Municipal Income Tax	1,728,960			1,728,960
Intergovernmental Revenue	104,699	191,526	\$726,451	1,022,676
Special Assessments	78,133			78,133
Charges for Services	17,137	906,724	25,000	948,861
Fines, Licenses and Permits	66,473			66,473
Earnings on Investments	27,003	3,545		30,548
Miscellaneous	40,773	15,981		56,754
<i>Total Cash Receipts</i>	<u>2,183,719</u>	<u>1,309,022</u>	<u>751,451</u>	<u>4,244,192</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	743,345	1,029,483		1,772,828
Leisure Time Activities		95,729		95,729
Community Environment	24,929			24,929
Basic Utility Services	46,274			46,274
Transportation	145,455	131,509		276,964
General Government	534,824			534,824
Capital Outlay	76,332		1,136,286	1,212,618
Debt Service:				
Redemption of Principal	53,145	9,367	7,152	69,664
Interest and Other Fiscal Charges	1,079			1,079
<i>Total Cash Disbursements</i>	<u>1,625,383</u>	<u>1,266,088</u>	<u>1,143,438</u>	<u>4,034,909</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>558,336</u>	<u>42,934</u>	<u>(391,987)</u>	<u>209,283</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	76,332			76,332
Transfers In			200,000	200,000
Transfers Out	(200,000)			(200,000)
Other Financing Uses	(25,917)			(25,917)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(149,585)</u>		<u>200,000</u>	<u>50,415</u>
<i>Net Change in Fund Cash Balances</i>	408,751	42,934	(191,987)	259,698
<i>Fund Cash Balances, January 1</i>	<u>2,685,358</u>	<u>771,154</u>	<u>440,734</u>	<u>3,897,246</u>
Fund Cash Balances, December 31				
Nonspendable	500			500
Restricted		814,088		814,088
Committed			248,747	248,747
Assigned	902,557			902,557
Unassigned	2,191,052			2,191,052
<i>Fund Cash Balances, December 31</i>	<u>\$3,094,109</u>	<u>\$814,088</u>	<u>\$248,747</u>	<u>\$4,156,944</u>

See accompanying notes to the basic financial statements

VILLAGE OF SWANTON
FULTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,908,231
Operating Cash Disbursements:	
Personal Services	350,107
Transportation	133,361
Contractual Services	556,750
Supplies and Materials	322,634
Other	7,720
<i>Total Operating Cash Disbursements</i>	<i>1,370,572</i>
<i>Operating Income</i>	<i>537,659</i>
Non-Operating Receipts (Disbursements):	
Intergovernmental Receipts	87,500
Special Assessments	183
Sale of Notes	800,000
Other Debt Proceeds	1,276,851
Miscellaneous	14,037
Capital Outlay	(1,605,851)
Redemption of Principal	(1,004,407)
Interest and Other Fiscal Charges	(75,229)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(506,916)</i>
<i>Net Change in Fund Cash Balances</i>	<i>30,743</i>
<i>Fund Cash Balances, January 1</i>	<i>2,103,590</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,134,333</i>

See accompanying notes to the basic financial statements

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

Public Entity Risk Pools

The Village participates in public entity risk pools. Notes 6 and 11 to the financial statements provide additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Capital Improvement Fund The capital improvement fund receives transfers from general fund income tax revenues and state and federal grants for governmental projects and contributions from fire and rescue contracts with other governments for related permanent improvements.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents and commercial users to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents and commercial users to cover sewer service costs.

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 level of control, with wages separately appropriated in all funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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 approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,868,670	\$2,260,051	\$391,381
Special Revenue	1,401,970	1,309,022	(92,948)
Capital Projects	1,820,866	951,451	(869,415)
Enterprise	4,189,350	4,086,802	(102,548)
Total	\$9,280,856	\$8,607,326	(\$673,530)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,388,343	\$1,891,463	\$496,880
Special Revenue	1,598,885	1,309,201	289,684
Capital Projects	2,222,657	1,317,138	905,519
Enterprise	5,237,705	4,195,060	1,042,645
Total	\$11,447,590	\$8,712,862	\$2,734,728

Note 4 - Deposits and Investments

The Village 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 was as follows:

	2018
Demand deposits	\$3,303,882
STAR Ohio	2,987,395
Total deposits and investments	\$6,291,277

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 - Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.50 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 Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

The other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 - Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes	\$800,000	2.45%
Ohio Water Development Authority Loans	4,175,175	1.08% - 2.78%
Ohio Public Works Commission Loans	566,474	0.00%
Commercial Loan	98,754	3.16%
Capital Leases	388,856	4.69% - 6.50%
Total	<u>\$6,029,259</u>	

Bond Anticipation notes of \$800,000 are due August 9, 2019 for water improvements and the purchase of land for the reservoir and are rolled over each year with no preset requirement for reducing total notes outstanding.

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

In 2007, a sewer separation project was mandated by Ohio Environmental Protection Agency (OEPA). The OWDA approved \$525,545 in loans to the Village for this project. The Village repays the loan in semiannual installments of \$17,169, including interest over 20 years. Sewer receipts collateralize the loan. 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 repays the loan in semiannual installments of \$12,354, including interest over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2012 and 2013, two loans of \$594,795 and \$618,430 were received from OWDA for the Fulton Street sewer separation project mandated by the OEPA. The Village repays the loans in variable semiannual installments, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

to set utility rates sufficient to cover OWDA debt service requirements.

Also, in 2013, a loan of \$1,786,708 was received from OWDA for the Granular Activated Carbon (GAC) improvement project to improve the Village's water plant. This loan included \$333,586 in debt forgiveness for total financing of \$1,453,134. The Village repays the loan in semiannual installments of \$31,885, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2016, a loan of \$744,943 was received from OWDA for the Clark Street sewer separation project mandated by the OEPA. The Village will repay the loan in variable semiannual installments, including interest, over 20 years. 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.

In 2018, OWDA approved a loan up to \$1,174,286 for sewer separation Project 7 mandated by the OEPA. The Village will repay the loan in variable semiannual installments, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No final amortization schedule is available as of the report date.

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

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

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

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

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

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

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

In 2018, a loan of \$86,007 for Project 7 sewer separation was received. The loan is to be repaid in semiannual installations over 20 years.

In 2015, the Village obtained a commercial loan of \$134,150 for the purchase of a new street sweeper. This is to be repaid in annual installments over 7 years.

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Leases

The Village entered into lease purchase agreements for vehicles for the Police, Water, and Sewer departments. The vehicles consisted of two interceptors for the Police Department, a work truck for the Water Department, and a Vac-Con truck for the Sewer Department. Lease payments in the amount of \$38,185 (\$37,065 principal and \$1,120 interest) were made in 2018. The payments were made from the General Fund (police interceptors) and Water Fund (work truck).

Amortization

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

Year ending December 31:	Bond	OWDA	OPWC	Commercial	Capital
	Anticipation Notes	Loans	Loans	Loans	Leases
2019	\$819,600	\$161,787	\$40,951	\$21,662	\$113,534
2020		161,787	43,101	21,662	102,411
2021		161,787	41,854	21,662	75,349
2022		161,788	40,606	21,662	75,349
2023		161,788	40,606	21,662	75,349
2024-2028		757,430	173,074		
2029-2033		529,206	117,843		
2034-2038		318,853	65,031		
2039-2043		318,853	3,408		
		63,771			
Total	\$819,600	\$2,797,050	\$566,474	\$108,310	\$441,992

Note 10 - Construction and Contractual Commitments

As of December 31, 2018, the Village had the following outstanding contractual purchase commitment for the Garfield Avenue bridge replacement project:

	Amount		
	Contract Amount	Paid as of 12/31/2018	Outstanding Balance
Miller Brothers Construction	\$810,318	\$499,540	\$310,778

Note 11 - Public Entity Risk Pool

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

Village of Swanton, Ohio
Fulton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

CareWorksComp is the plan administrator and manages all workers' compensation claims and discounts for the GRP.

Note 12 – Contingent Liabilities

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

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Note 14 – Interfund Transfers

During 2018, \$200,000 was transferred from the General fund to the Capital Projects fund to finance various Village capital projects and improvements.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Swanton, Fulton County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 24, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact the Village for subsequent periods.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village’s financial statements. 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 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

August 24, 2020

**VILLAGE OF SWANTON
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified for the year ended December 31, 2019:

- General fund subsequent year appropriations in excess of estimated receipts were improperly classified as unassigned fund balance instead of assigned in the amount of \$141,256. Unclaimed monies also reported in the General fund were classified as unassigned fund balance instead of nonspendable in the amount of \$392.
- Special Revenue fund balance was classified as assigned instead of restricted in the amount of \$177,839.
- Capital Projects fund balance was classified as assigned instead of committed in the amount of \$3,002.
- Enterprise fund other debt proceeds and capital outlay expenditures were understated by \$56,189 due to Ohio Water Development Authority (OWDA) on-behalf-of activity from 2019 incorrectly recorded in 2018.
- Receipts reported in the “2019 Budgeted vs. Actual Receipts” footnote did not properly report the Police Operating fund (2903) which rolls into the General fund for reporting purposes. General fund budgeted and actual receipts were understated by \$162,000. Special Revenue funds budgeted and actual receipts were overstated by \$150,000 and \$162,000, respectively.
- Budgeted receipts reported in the “2019 Budgeted vs. Actual Receipts” footnote did not agree to approved budgetary documents. Budgeted receipts were understated for Special Revenue, Capital Projects, Enterprise, and Internal Service funds by \$150,000, \$181,000, \$185,300, and \$15,000, respectively.
- Budgetary expenditures reported in the “2019 Budgeted vs. Actual Budgetary Basis Expenditures” footnote did not agree to approved budgetary documents. Appropriation authority was understated for the General, Special Revenue, and Enterprise funds by \$18,725, \$26,774, and \$64,137, respectively.

The following errors were identified for the year ended December 31, 2018:

- General fund subsequent year appropriations in excess of estimated receipts were improperly classified as unassigned fund balance instead of assigned in the amount of \$902,557. Unclaimed monies also reported in the General fund were classified as unassigned fund balance instead of nonspendable in the amount of \$500.
- Special Revenue fund balance was classified as assigned instead of restricted in the amount of \$42,588.
- Capital Projects fund balance was classified as assigned instead of committed in the amount of \$173,699.
- General fund expenditures totaling \$27,162 for dump truck loan payments were improperly reported as transportation. These should have been recorded as debt service – redemption of principal (\$25,840) and debt service – interest and other fiscal charges (\$1,079).

- Capital Projects fund expenditures totaling \$213,321 for a construction project were improperly reported as debt service – redemption of principal. These should have been reported as capital outlay.
- Enterprise fund expenditures totaling \$1,156,712 for the Project 7 sewer separation project were improperly reported as supplies and materials. These should have been reported as capital outlay.
- Enterprise fund expenditures totaling \$166,655 for the Airport Highway drainage project were improperly reported as supplies and materials. These should have been reported as capital outlay.
- Enterprise fund other debt proceeds and capital outlay were overstated by \$56,189 due to Ohio Water Development Authority (OWDA) on-behalf-of activity from 2019 incorrectly recorded in 2018.
- Enterprise fund intergovernmental revenue was understated by \$87,500 due to an Ohio Public Works Commission (OPWC) grant improperly reported as other debt proceeds.
- Budgetary expenditures reported in the “2018 Budgeted vs. Actual Budgetary Basis Expenditures” footnote did not include yearend outstanding encumbrances. The General, Special Revenue, Capital Projects, and Enterprise funds budgetary expenditures were understated by \$40,163, \$43,113, \$173,700, and \$139,000, respectively

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

Additional errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

To help ensure the Village’s financial statements and notes to the financial statements are complete and accurate the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to help identify and correct errors and omissions. In addition, the Fiscal Officer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

Officials’ Response:

Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines “permanent improvement” or “improvement” to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

Due to a deficiency in controls, the Village inappropriately recorded \$10,074 and \$31,917 from the sale of capital assets during 2019 in the General and Parks and Recreation Funds, respectively. Given the source of the revenues, these should have been recorded in the Capital Projects fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding first reported in 2007. Material weakness due to financial statement reporting errors.	Not corrected and reissued as Finding 2019-001 in this report.	Additional errors occurred which were not detected by management. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.
2017-002	Finding first reported in 2015. Significant deficiency for a lack of segregation of duties in the posting of utility receipts, nonpayroll, and payroll transactions.	Fully corrected.	
2017-003	Significant deficiency for a lack of reconciliations performed between UAN and utility system.	Fully corrected.	



MAYOR
 Neil Toeppe

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

ADMINISTRATOR
 Rosanna Hoelzle

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SWANTON

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/22/2020

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Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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