



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SMITH TOWNSHIP
MAHONING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Smith Township
Mahoning County
846 N. Johnson Road
Sebring, Ohio 44672

To the Board of Trustees:

We have audited the accompanying financial statements of Smith Township (the Township), Mahoning County, as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 20, 2002

**SMITH TOWNSHIP
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$54,297	\$462,073			\$516,370
Intergovernmental	123,407	125,089	\$48,121		296,617
Licenses, Permits, and Fees	53,516	2,109			55,625
Fines, Forfeitures, and Penalties		27,443			27,443
Earnings on Investments	7,351	637			7,988
Other Revenue	708	24,786		\$45,000	70,494
	<u>239,279</u>	<u>642,137</u>	<u>48,121</u>	<u>45,000</u>	<u>974,537</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	98,419				98,419
Public Safety	3,400	408,808			412,208
Public Works	42,559	149,853			192,412
Health	14,975				14,975
Miscellaneous		833		49,003	49,836
Capital Outlay		24,500	48,121		72,621
	<u>159,353</u>	<u>583,994</u>	<u>48,121</u>	<u>49,003</u>	<u>840,471</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>79,926</u>	<u>58,143</u>	<u>0</u>	<u>(4,003)</u>	<u>134,066</u>
Other Financing Receipts/(Disbursements):					
Advances-In	97,884	95,000			192,884
Advances-Out	(95,000)	(97,884)			(192,884)
	<u>2,884</u>	<u>(2,884)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	82,810	55,259	0	(4,003)	134,066
Fund Cash Balances, January 1	98,600	108,642		23,894	231,136
Fund Cash Balances, December 31	<u>\$181,410</u>	<u>\$163,901</u>	<u>\$0</u>	<u>\$19,891</u>	<u>\$365,202</u>

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$55,721	\$457,301		\$513,022
Intergovernmental	79,698	129,653		209,351
Licenses, Permits, and Fees	57,861	2,233		60,094
Fines, Forfeitures, and Penalties	978	25,709		26,687
Earnings on Investments	9,372	1,128		10,500
Other Revenue	1,063	6,714	\$4,003	11,780
	<u>204,693</u>	<u>622,738</u>	<u>4,003</u>	<u>831,434</u>
Total Cash Receipts				
	<u>204,693</u>	<u>622,738</u>	<u>4,003</u>	<u>831,434</u>
Cash Disbursements:				
Current:				
General Government	136,755			136,755
Public Safety		441,986		441,986
Public Works	102,694	128,898		231,592
Health	15,664			15,664
Miscellaneous		984		984
Capital Outlay		23,495		23,495
	<u>255,113</u>	<u>595,363</u>	<u>0</u>	<u>850,476</u>
Total Cash Disbursements				
	<u>255,113</u>	<u>595,363</u>	<u>0</u>	<u>850,476</u>
Total Receipts Over/(Under) Disbursements	<u>(50,420)</u>	<u>27,375</u>	<u>4,003</u>	<u>(19,042)</u>
Other Financing Receipts/(Disbursements):				
Advances-In	27,000	6,400		33,400
Advances-Out	(6,400)	(27,000)		(33,400)
	<u>20,600</u>	<u>(20,600)</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
	<u>20,600</u>	<u>(20,600)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(29,820)</u>	<u>6,775</u>	<u>4,003</u>	<u>(19,042)</u>
Fund Cash Balances, January 1	<u>128,420</u>	<u>101,867</u>	<u>19,891</u>	<u>250,178</u>
Fund Cash Balances, December 31	<u><u>\$98,600</u></u>	<u><u>\$108,642</u></u>	<u><u>\$23,894</u></u>	<u><u>\$231,136</u></u>

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Smith Township, Mahoning County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the City of Sebring to provide fire services and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market funds are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

Police District Fund - This fund receives tax money from a levy for maintaining a police force.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Issue II Fund - The Township received a grant from the State of Ohio to make safety upgrades to Township roads.

4. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Road Bonds Fund - This fund receives bond money from contractors to pay for any damages while hauling heavy equipment on Township roads.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$581	\$198,938
Money Market Account	364,621	32,198
Total deposits and investments	\$365,202	\$231,136

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Money Market funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,393	\$239,279	\$74,886
Special Revenue	628,251	642,137	13,886
Capital Projects	0	48,121	48,121
Fiduciary	45,000	45,000	0
Total	\$837,644	\$974,537	\$136,893

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$271,650	\$159,353	\$112,297
Special Revenue	697,689	583,994	113,695
Capital Projects	0	48,121	(48,121)
Fiduciary	68,893	49,003	\$19,890
Total	\$1,038,232	\$840,471	\$197,761

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$193,109	\$204,693	\$11,584
Special Revenue	629,949	622,738	(7,211)
Fiduciary	0	4,003	\$4,003
Total	\$823,058	\$831,434	\$8,376

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$324,536	\$255,113	\$69,423
Special Revenue	711,118	595,363	115,755
Fiduciary	19,890	0	19,890
Total	\$1,055,544	\$850,476	\$205,068

4. PROPERTY TAX

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

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

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEMS

The Township's law enforcement officers belong to the Public Employees Retirement System Law Enforcement (PERS - Law Enforcement). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS - Law Enforcement and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS - Law Enforcement contributed 10.10% of their wages. The Township contributed an amount equal to 16.70. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

7. SUBSEQUENT EVENT

On February 21, 2002, certain Township records were destroyed contrary to Ohio Revised Code Section 149.351. This matter has been referred to the Mahoning County Prosecutor's Office for further review.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Smith Township
Mahoning County
846 N. Johnson Road
Sebring, Ohio 44672

To the Board of Trustees:

We have audited the accompanying financial statements of Smith Township (the Township), Mahoning County, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 20, 2002.

Smith Township
Mahoning County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

June 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SMITH TOWNSHIP

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 6, 2002**