

**VILLAGE OF SMITHVILLE
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008



Mary Taylor, CPA
Auditor of State

Village Council
Village of Smithville
P.O. Box 517
Smithville, Ohio 44677

We have reviewed the *Independent Accountants' Report* of the Village of Smithville, Wayne County, prepared by Knox & Knox, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Smithville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 10, 2010

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VILLAGE OF SMITHVILLE
WAYNE COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Smithville
Wayne County
P.O. Box 517
207 West Main Street
Smithville, Ohio 44677

We have audited the accompanying financial statements of the Village of Smithville, Wayne County, Ohio, as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Smithville, Wayne County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Knox & Knox

Orrville Ohio
October 8, 2010

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS:					
Property and Other Local Taxes	\$60,427				\$60,427
Municipal Income Tax	493,809				493,809
Intergovernmental Revenue	52,750	\$66,468		\$32,449	151,667
Charges for Services	12,944				12,944
Fines, Licenses, and Permits	20,778	1,460			22,238
Earnings on Investments	13,002				13,002
Miscellaneous	9,364	6,138			15,502
Total Cash Receipts	<u>663,074</u>	<u>74,066</u>		<u>32,449</u>	<u>769,589</u>
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	271,531	1,917			273,448
Public Health Services	3,811				3,811
Leisure Time Activities	40,258				40,258
Community Environment	14,937				14,937
Transportation		249,503			249,503
General Government	96,033				96,033
Debt Service			\$1,454		1,454
Capital Outlay				6,803	6,803
Total Cash Disbursements	<u>426,570</u>	<u>251,420</u>	<u>1,454</u>	<u>6,803</u>	<u>686,247</u>
Total Receipts Over/(Under) Disbursements	<u>236,504</u>	<u>(177,354)</u>	<u>(1,454)</u>	<u>25,646</u>	<u>83,342</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Transfers-In		170,000	1,455		171,455
Transfers-Out	(221,455)				(221,455)
Other Financing Sources		11			11
Other Financing Uses	(170)				(170)
Total Other Financing Receipts/(Disbursements)	<u>(221,625)</u>	<u>170,011</u>	<u>1,455</u>	<u>0</u>	<u>(50,159)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>14,879</u>	<u>(7,343)</u>	<u>1</u>	<u>25,646</u>	<u>33,183</u>
Fund Cash Balances, January 1	<u>658,261</u>	<u>153,821</u>	<u>3</u>	<u>15,818</u>	<u>827,903</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$673,140</u>	<u>\$146,478</u>	<u>\$4</u>	<u>\$41,464</u>	<u>\$861,086</u>
Reserve for Encumbrances, December 31	<u>\$2,969</u>	<u>\$1,495</u>			<u>\$4,464</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise Fund	Agency Fund	Totals (Memorandum Only)
OPERATING CASH RECEIPTS:			
Charges for Services	\$471,052		\$471,052
Miscellaneous	757	31,493	32,250
	<u>471,809</u>	<u>31,493</u>	<u>503,302</u>
OPERATING CASH DISBURSEMENTS:			
Personal Services	156,652		156,652
Contractual Services	162,672		162,672
Supplies and Materials	149,438		149,438
Miscellaneous		31,493	31,493
	<u>468,762</u>	<u>31,493</u>	<u>500,255</u>
Operating Income/(Loss)	<u>3,047</u>		<u>3,047</u>
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Earnings on Investments	5,521		5,521
Redemption of Principal	(66,633)		(66,633)
Other Financing Uses	(1,123)		(1,123)
	<u>(62,235)</u>		<u>(62,235)</u>
INTERFUND TRANSFERS			
Transfers-In	105,000		105,000
Transfers-Out	(55,000)		(55,000)
	<u>50,000</u>		<u>50,000</u>
Net Receipts Over/(Under) Disbursements	(9,188)		(9,188)
Fund Cash Balances, January 1	1,026,246		1,026,246
FUND CASH BALANCES, DECEMBER 31	<u>\$1,017,058</u>		<u>\$1,017,058</u>
Reserve for Encumbrances, December 31	<u>\$2,433</u>		<u>2,433</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS:					
Property and Other Local Taxes	\$59,599				\$59,599
Municipal Income Tax	538,958				538,958
Intergovernmental Revenue	54,572	\$68,686		\$38,760	162,018
Charges for Services	13,505				13,505
Fines, Licenses, and Permits	21,037	3,147			24,184
Earnings on Investments	34,960	4,934			39,894
Miscellaneous	5,299				5,299
Total Cash Receipts	<u>727,930</u>	<u>76,767</u>		<u>38,760</u>	<u>843,457</u>
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	265,095	1,523			266,618
Public Health Services	6,014				6,014
Leisure Time Activities	42,116				42,116
Community Environment	11,920				11,920
Transportation		184,789			184,789
General Government	93,992				93,992
Debt Service			\$1,454		1,454
Capital Outlay				126,844	126,844
Total Cash Disbursements	<u>419,137</u>	<u>186,312</u>	<u>1,454</u>	<u>126,844</u>	<u>733,747</u>
Total Receipts Over/(Under) Disbursements	<u>308,793</u>	<u>(109,545)</u>	<u>(1,454)</u>	<u>(88,084)</u>	<u>109,710</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Transfers-In		167,955	1,455	62,000	231,410
Transfers-Out	(279,955)	(1,455)			(281,410)
Other Financing Uses	(6,773)				(6,773)
Total Other Financing Receipts/(Disbursements)	<u>(286,728)</u>	<u>166,500</u>	<u>1,455</u>	<u>62,000</u>	<u>(56,773)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	22,065	56,955	1	(26,084)	52,937
Fund Cash Balances, January 1	636,196	96,866	2	41,902	774,966
FUND CASH BALANCES, DECEMBER 31	<u>\$658,261</u>	<u>\$153,821</u>	<u>\$3</u>	<u>\$15,818</u>	<u>\$827,903</u>
Reserve for Encumbrances, December 31	<u>\$2,132</u>	<u>\$28,038</u>		<u>\$1,965</u>	<u>\$32,135</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise Fund	Agency Fund	(Memorandum Only)
OPERATING CASH RECEIPTS:			
Charges for Services	\$446,046		\$446,046
Miscellaneous		29,486	29,486
Total Operating Cash Receipts	446,046	29,486	475,532
OPERATING CASH DISBURSEMENTS:			
Personal Services	158,803		158,803
Contractual Services	90,417		90,417
Supplies and Materials	98,113		98,113
Capital Outlay	10,976		10,976
Miscellaneous		29,486	29,486
Total Operating Cash Disbursements	358,309	29,486	387,795
Operating Income/(Loss)	87,737		87,737
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Earnings on Investments	16,348		16,348
Redemption of Principal	(66,633)		(66,633)
Total Non-Operating Cash Receipts (Disbursements)	(50,285)		(50,285)
INTERFUND TRANSFERS			
Transfers-In	150,000		150,000
Transfers-Out	(100,000)		(100,000)
Total Interfund Transfers	50,000		50,000
Net Receipts Over/(Under) Disbursements	87,452		87,452
Fund Cash Balances, January 1	938,794		938,794
FUND CASH BALANCES, DECEMBER 31	\$1, 026,246		\$1,026,246
Reserve for Encumbrances, December 31	\$85,751		85,751

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Smithville, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. . The Village provides water and sewer utilities, maintenance of Village streets and highways, and police services.

The Village participates in the *Public Entities Pool of Ohio* public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. ACCOUNTING BASIS

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. DEPOSITS 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.

D. FUND ACCOUNTING

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

1. General Fund

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

2. Special Revenue Funds

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

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

State Highway Improvement Fund – This fund receives gasoline and license tax and motor vehicle tax money for constructing, maintaining, and repairing streets and sidewalks.

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. Fund Accounting (continued)

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund.

Street Debt Service Fund - This fund receives money from transfer of funds and uses it to pay principal on OPWC loan CP26D

4. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Park Acquisition Fund - This fund receives proceeds from grants and donations. The proceeds are being used as capital outlay.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

6. Fiduciary Fund (Agency)

This fund accounts for activity for which the Village is acting in an *agency* capacity. The Village had the following Agency Fund:

Mayor's Court - This fund accounts for the financial activity of Mayor's Court.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. BUDGETARY PROCESS (continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. **EQUITY IN POOLED CASH**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$412,183	\$351,249
Certificates of deposit	<u>1,465,963</u>	<u>1,502,901</u>
Total deposits and investments	<u>\$1,878,146</u>	<u>\$1,854,150</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

Fund Type	2009 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$685,100	\$ 663,074	(\$22,026)
Special Revenue	241,150	244,077	2,927
Debt Service	1,455	1,455	
Capital Projects	29,000	32,449	3,449
Enterprise	574,400	582,328	7,928
Total	<u>\$1,531,105</u>	<u>\$1,523,383</u>	<u>(\$7,722)</u>

Fund Type	2009 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$718,852	\$648,195	\$70,657
Special Revenue	1,073,163	252,915	820,248
Debt Service	1,455	1,454	1
Capital Projects	71,965	6,803	65,162
Enterprise	720,390	593,951	126,439
Total	<u>\$2,585,825</u>	<u>\$1,503,318</u>	<u>\$1,082,507</u>

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$660,000	\$727,930	\$67,930
Special Revenue	225,670	244,722	19,052
Debt Service	1,455	1,455	
Capital Projects	121,900	100,760	(21,140)
Enterprise	475,500	612,394	136,894
Total	<u>\$1,484,525</u>	<u>\$1,687,261</u>	<u>\$202,736</u>

Fund Type	2008 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$851,194	\$707,997	\$143,197
Special Revenue	291,047	215,805	75,242
Debt Service	1,455	1,455	
Capital Projects	186,587	128,809	57,778
Enterprise	651,608	610,693	40,915
Total	<u>\$1,981,891</u>	<u>\$1,664,759</u>	<u>\$317,132</u>

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. 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 payments, the first half is due December 31. The second half 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 Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% on substantially all earned income arising from employment, residency or business activities with the Village as well as certain income of residents earned outside the Village.

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

The Ohio Water Development Authority (OWDA) loan (341 SRF) was approved up to \$665,406 in 1997. The Village will repay the loan in semiannual installments of \$22,568, including interest at 3.16 percent through 2017.

The Ohio Public Works Commission loan (CP26C) was approved up to \$210,890 for Main Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$5,272, including interest at 0 percent through 2020.

The Ohio Public Works Commission loan (CP118B) was approved up to \$149,178 for Summit Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$3,729, including interest at 0 percent through 2020.

The Ohio Public Works Commission loan (CP26D) was approved up to \$29,080 for Main and Dan Street Culvert Replacements. The Village will repay the loans in semiannual installments of \$727, including interest at 0 percent through 2020.

The Ohio Public Works Commission loan (CP11J) was approved up to \$69,846 for Center and Northeast Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$1,746, including interest at 0 percent through 2028.

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

6. DEBT (continued)

The following is a summary of principal maturities plus interest:

For year ending December 31:	Debt Schedule		
	Payment	Principal	Interest
2010	\$68,087	\$58,910	\$9,176
2011	68,087	60,056	8,031
2012	68,087	61,238	6,849
2013	68,087	62,457	5,630
2014	68,087	63,715	4,372
2015-2019	134,350	129,193	5,158
2020-2024	43,645	43,645	
2025-2029	12,223	12,223	
	<u>\$530,653</u>	<u>\$491,437</u>	<u>\$39,216</u>

7. RETIREMENT SYSTEMS

The Village's full-time police officer belongs to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008 OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009 .

8. RISK MANAGEMENT

Commercial Insurance

The Village had obtained commercial insurance through February 10, 2009 for the following risks::

- Comprehensive property and general liability;
- Vehicles;
- Public officials' liability; and
- Inland marine.

Risk Pool Membership

The Village became a member of the Public Entities Pool of Ohio (the Pool) effective February 11, 2009. The Pool assumes the risk of loss up to the limits of the Village of Smithville's policy. The Pool covers the following risks:

- General liability and casualty;
- Public officials' liability; and
- Vehicle

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

8. **RISK MANAGEMENT** (continued)

Risk Pool Membership (continued)

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2009</u>	<u>2008</u>
Cash and investments	\$36,374,898	\$35,769,535
Actuarial liabilities	15,256,862	15,310,206

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KNOX & KNOX

Accountants and Consultants

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

Village of Smithville
Wayne County
P.O. Box 517
207 West Main Street
Smithville, Ohio 44677

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithville, Wayne County. (the Village) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated October 8, 2010 wherein we noted that the Village followed accounting procedures the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed

Village of Smithville
Wayne County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

one instance of noncompliance or other matters we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding 2009-01..

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 8, 2010.

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

KNOX & KNOX

Orrville, Ohio
October 8, 2010

VILLAGE OF SMITHVILLE
WAYNE COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-01

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated resources. During 2009 and 2008 appropriations exceeded estimated resources as follows:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>
Capital Projects (2008)	\$163,802	\$186,587
Capital Projects (2009)	44,818	71,965
Special Revenue (2009)	394,971	1,073,163

To avoid overspending, the Village should limit appropriations to estimated resources.

Client Response: None

VILLAGE OF SMITHVILLE
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not corrected, partially corrected, significantly different corrective action taken; or finding no longer valid; Explain:
2007-01	ORC 5705.39	No	Not corrected; repeated as finding 2009-01.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SMITHVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 23, 2010**