



Dave Yost • Auditor of State

**VILLAGE OF SMITHVILLE
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis December 31, 2011.....	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2011.....	12
Statement of Assets and Fund Balances – Cash Basis Governmental Funds - December 31, 2011.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds - For the Year Ended December 31, 2011.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis General Fund - For the Year Ended December 31, 2011.....	16
Street Fund - For the Year Ended December 31, 2011.....	17
Statement of Fund Net Assets – Cash Basis Proprietary Funds - December 31, 2011.....	18
Statement of Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis Proprietary Funds – For the Year Ended December 31, 2011.....	19
Statement of Net Assets – Cash Basis December 31, 2010.....	21
Statement of Activities – Cash Basis For the Year Ended December 31, 2010.....	22
Statement of Assets and Fund Balances – Cash Basis Governmental Funds - December 31, 2010.....	24
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds - For the Year Ended December 31, 2010.....	25
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis General Fund - For the Year Ended December 31, 2010.....	26
Street Fund - For the Year Ended December 31, 2010.....	27
Statement of Fund Net Assets – Cash Basis Proprietary Funds - December 31, 2010.....	28
Statement of Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis Proprietary Funds – For the Year Ended December 31, 2010.....	29
Notes to the Financial Statements.....	31

VILLAGE OF SMITHVILLE
WAYNE COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Smithville
Wayne County
P.O. Box 517
Smithville, Ohio 44677

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Smithville, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Smithville, Wayne County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Street Funds thereof for the years then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2010, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

As described in Note 1, during 2010 the Village of Smithville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2102, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

August 24, 2012

Village of Smithville
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

This discussion and analysis of the Village of Smithville's (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2011 and 2010, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 and 2010 are as follows:

Net assets of governmental activities increased \$15,623, or 1.7 percent, in 2011 and \$39,406, or 4.6 percent, in 2010. The 2011 change is insignificant from the prior year. The 2010 increase is due mainly to a transfer of funds from the Sewer Improvement Fund for the local portion of an OPWC project.

The Village's general receipts are primarily income and property in taxes. These receipts represent 76 percent in 2011 and 53 percent in 2010 of the total cash received for governmental activities. Although property and other local (income) tax receipts for 2011 changed very little compared to 2010, total governmental receipts (excluding transfers) decreased \$340,773 from 2010 to 2011. This decrease was mainly a result of significant funding from OPWC in 2010 for the Village's sewer project.

In 2011, net assets of business-type activities increased \$79,012, or 7.4 percent due to transfers from the general fund (\$40,000) to water improvement fund and transfer back of unused local matching funds from sewer capital improvement fund (\$28,765) to sewer improvement fund. In 2010, net assets of business-type activities increased \$47,741, or 4.7 percent.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Smithville
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2011 and 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Villages's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets, and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has business-type activities, the provision of water and sewer services. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Village of Smithville
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2011 are the General Fund and Street Fund and for 2010 are the General Fund, Street Fund, and Sewer Capital Improvement Issue II OPWC Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has five enterprise funds, the Water Fund, Sewer Fund, Water Improvement Fund, Sewer Improvement Fund, and Utility Deposit Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis. Since the Village did not prepare financial statements in this format for 2009, a comparative analysis of government-wide data was not presented for 2010. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and Cash Equivalents	\$916,112	\$900,489	\$1,143,811	\$1,064,799	\$2,059,923	\$1,965,288
Net Assets						
Restricted for:						
Other Purposes	\$115,720	\$139,402	\$1,143,811	\$1,064,799	\$1,259,531	\$1,204,201
Unrestricted	800,392	761,087			800,392	761,087
Total Net Assets	\$916,112	\$900,489	\$1,143,811	\$1,064,799	\$2,059,923	\$1,965,288

As mentioned previously, during 2011 net assets of governmental activities increased \$15,623 or 1.7 percent and net assets of business-type activities increased \$79,012, or 7.4 percent. The increase in governmental activities was not significant and the increase in business-type activities was mainly caused by transfers from other funds.

Table 2 reflects the changes in net assets on a cash basis in 2011 and 2010 for governmental and business type activities. Since the Village did not prepare financial statements in this format for 2009, a comparative analysis of government-wide data was not presented for 2010. In future years, when prior information is available, a comparative analysis will be presented for three years.

Village of Smithville
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$3,877		\$480,929	\$483,489	\$484,806	\$483,489
Operating Grants and Contributions	37,170	12,670			37,170	12,670
Capital Grants and Contributions		317,688			0	317,688
Total Program Receipts	41,047	330,358	480,929	483,489	521,976	813,847
General Receipts:						
Property and Other Local Taxes	590,754	592,881			590,754	592,881
Grants and Entitlements Not Restricted to Specific Programs	111,735	114,129			111,735	114,129
Charges for Services and Sales		39,526	4,335		4,335	39,526
Fines, Licenses, and Permits	24,508	24,239			24,508	24,239
Interest	1,059	3,723	329	603	1,388	4,326
Miscellaneous	8,175	13,195	6,373	4,908	14,548	18,103
Total General Receipts	736,231	787,693	11,037	5,511	747,268	793,204
Total Receipts	777,278	1,118,051	491,966	489,000	1,269,244	1,607,051
Disbursements:						
General Government	124,565	113,154			124,565	113,154
Security of Persons and Property:	299,509	284,731			299,509	284,731
Public Health Services	18,454	7,631			18,454	7,631
Leisure Time Activities	39,364	39,135			39,364	39,135
Community Environment	13,206	13,420			13,206	13,420
Transportation	194,474	304,457			194,474	304,457
Capital Outlay	1,000	405,085			1,000	405,085
Debt Service	1,454	1,459			1,454	1,459
Sewer Fund			200,692	199,213	200,692	199,213
Sewer Improvement Fund			52,809	60	52,809	60
Water Fund			200,598	143,798	200,598	143,798
Water Fund Improvement			25,859	5,136	25,859	5,136
Other Enterprise Funds			2,625	2,625	2,625	2,625
Total Disbursements	692,026	1,169,072	482,583	350,832	1,174,609	1,519,904
Excess (Deficiency) Before Transfers	85,252	(51,021)	9,383	138,168	94,635	87,147
Transfers	(69,629)	90,427	69,629	(90,427)	0	0
Increase (Decrease) in Net Assets	15,623	39,406	79,012	47,741	94,635	87,147
Net Assets, January 1	900,489	861,083	1,064,799	1,017,058	1,965,288	1,878,141
Net Assets, December 31	\$916,112	\$900,489	\$1,143,811	\$1,064,799	\$2,059,923	\$1,965,288

Village of Smithville
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

Governmental Activities

Program receipts represent 5.3 percent and 29.6 percent of total receipts for 2011 and 2010, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money. In 2010, an OPWC grant for a sewer improvement project contributed to the variance between 2011 and 2010.

General receipts represent 94.7 percent and 70.4 percent of the Village's total receipts for 2011 and 2010, respectively, and of this amount, over 80 percent and 75 percent, respectively, are property and other local (income) taxes. State and federal grants and entitlements make up a significant balance of the Village's general receipts (15.2 percent and 14.5 percent for 2011 and 2010, respectively). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; Community Environment promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

The decrease in Capital Outlay from 2010 to 2011 is due to the Village undertaking an OPWC sewer project in 2010.

If you look at the Statement of Activities on pages 12 and 22, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 28.1 and 43.3 percent for 2011 and 26.0 and 24.4 for 2010 of all governmental disbursements, respectively. General government also represents a significant cost for 2011 and 2010, about 18 percent and 9.7 percent, respectively. In 2010, capital outlay represented 34.7 percent of program disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
General Government	\$124,565	(\$124,565)	\$113,154	(\$113,154)
Security of Persons and Property	299,509	(260,421)	284,731	(284,731)
Public Health Services	18,454	(18,454)	7,631	(5,841)
Leisure Time Activities	39,364	(37,405)	39,135	(39,135)
Community Environment	13,206	(13,206)	13,420	(2,540)
Transportation	194,474	(194,474)	304,457	(304,457)
Capital Outlay	1,000	(1,000)	405,085	(87,397)
Debt Service	1,454	(1,454)	1,459	(1,459)
Total Expenses	\$692,026	(\$650,979)	\$1,169,072	(\$838,714)

Village of Smithville
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

The dependence upon property and income tax receipts is apparent as over 94 percent and 71 percent of governmental activities are supported through these general receipts for 2011 and 2010, respectively.

Business-type Activities

Program receipts represent 97.8 percent and 98.7 of total receipts for 2011 and 2010, respectively, and are comprised of charges for services for water and sewer operations.

General receipts represent 2.2 percent and 1.3 percent of the Village's business-type activities total receipts for 2011 and 2010, respectively. These receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for the Water and Sewer Funds represent the general operating costs of providing water and sewer services to the residents.

The Water Improvement and Sewer Improvement Funds are used to pay the cost of maintaining and repairing the equipment and facilities needed to provide water and sewer services to the residents.

There was an increase in Capital Outlay from 2010 to 2011 in the Sewer Improvement Fund due to the Village undertaking a sewer project in 2011. There was also an increase in the supply/purchase of water from 2010 to 2011, causing the increase in expenditures in the Water Fund.

The Village's Funds

Total governmental funds had receipts of \$777,278 and disbursements of \$692,026 for 2011 and \$1,118,051 and \$1,169,072 for 2010, respectively. The greatest change within governmental funds for both years occurred within the General Fund. The fund balance of the General Fund increased \$38,973 in 2011 and \$87,946 in 2010 as the Village tries to reduce spending where possible.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The Village did not amend its General Fund budgeted receipts in either 2011 or 2010. The differences between final budgeted receipts and actual receipts were not significant.

In 2011, the Village amended its General Fund appropriations several times to reflect changing circumstances. Final disbursements and other financing uses were budgeted at \$732,681 while actual budgetary disbursements and other financing uses were \$689,562. The Village kept spending close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$13,144 for 2011.

In 2010, the Village amended its General Fund appropriations several times to reflect changing circumstances. Final disbursements and other financing uses were budgeted at \$720,748 while actual budgetary disbursements and other financing uses were \$638,225. The Village kept spending well under the budgeted amounts in several areas. The result was an increase in fund balance of \$87,446 for 2010.

Debt Administration

At December 31, 2011 the Village's outstanding debt included \$465,712 in OWDA and OPWC loans for water, sewer, and street projects. For further information regarding the Village's debt, refer to Note 11 of the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local income and property taxes and charges for services to support the services currently provided.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Donna Steiner, Clerk-Treasurer, Village of Smithville, P.O. Box 517, Smithville, Ohio 44677.

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Village of Smithville, Ohio
Wayne County
Statement of Net Assets - Cash Basis
December 31, 2011

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$916,112</u>	<u>\$1,143,811</u>	<u>\$2,059,923</u>
Net Assets			
Restricted for:			
Other Purposes	\$115,720	\$1,143,811	\$1,259,531
Unrestricted	<u>800,392</u>	<u> </u>	<u>800,392</u>
<i>Total Net Assets</i>	<u>\$916,112</u>	<u>\$1,143,811</u>	<u>\$2,059,923</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Security of Persons and Property	\$299,509	\$1,918	\$37,170
Public Health Services	18,454		
Leisure Time Activities	39,364	1,959	
Community Environment	13,206		
Transportation	194,474		
General Government	124,565		
Capital Outlay	1,000		
Debt Service	1,454		
<i>Total Governmental Activities</i>	<u>692,026</u>	<u>3,877</u>	<u>37,170</u>
Business-Type Activities			
Sewer Fund	200,692	188,740	
Sewer Improvement Fund	52,809	71,426	
Utility Deposit Fund	2,625		
Water Fund	200,598	151,337	
Water Improvement Fund	25,859	69,426	
<i>Total Business-Type Activities</i>	<u>482,583</u>	<u>480,929</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$1,174,609</u>	<u>\$484,806</u>	<u>\$37,170</u>

General Receipts:

- Property and Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Charges for Services
- Fines, Licenses, and Permits
- Earnings on Investments
- Miscellaneous

Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$260,421)		(\$260,421)
(18,454)		(18,454)
(37,405)		(37,405)
(13,206)		(13,206)
(194,474)		(194,474)
(124,565)		(124,565)
(1,000)		(1,000)
(1,454)		(1,454)
(650,979)	\$0	(650,979)
	(11,952)	(11,952)
	18,617	18,617
	(2,625)	(2,625)
	(49,261)	(49,261)
	43,567	43,567
0	(1,654)	(1,654)
(\$650,979)	(\$1,654)	(\$652,633)
590,754		590,754
111,735		111,735
	4,335	4,335
24,508		24,508
1,059	329	1,388
8,175	6,373	14,548
736,231	11,037	747,268
(69,629)	69,629	0
666,602	80,666	747,268
15,623	79,012	94,635
900,489	1,064,799	1,965,288
\$916,112	\$1,143,811	\$2,059,923

Village of Smithville, Ohio
Wayne County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2011

	General	Street Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$800,060	\$94,227	\$21,825	\$916,112
Fund Balances				
Restricted		\$94,227	\$21,493	\$115,720
Committed			329	329
Assigned			3	3
Unassigned	\$800,060			800,060
<i>Total Fund Balances</i>	<u>\$800,060</u>	<u>\$94,227</u>	<u>\$21,825</u>	<u>\$916,112</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General	Street Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes and Other Local Taxes	\$590,754			\$590,754
Intergovernmental	84,391	\$60,044	\$4,470	148,905
Charges for Services	3,877			3,877
Fines, Licenses and Permits	22,513		1,995	24,508
Earnings on Investments	1,059			1,059
Miscellaneous	112	7,926	137	8,175
<i>Total Receipts</i>	<u>702,706</u>	<u>67,970</u>	<u>6,602</u>	<u>777,278</u>
Disbursements				
Current:				
Security of Persons and Property	299,509			299,509
Public Health Services	18,454			18,454
Leisure Time Activities	39,364			39,364
Community Environment	13,206			13,206
Transportation		189,927	4,547	194,474
General Government	123,200		1,365	124,565
Capital Outlay			1,000	1,000
Debt Service			1,454	1,454
<i>Total Disbursements</i>	<u>493,733</u>	<u>189,927</u>	<u>8,366</u>	<u>692,026</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>208,973</u>	<u>(121,957)</u>	<u>(1,764)</u>	<u>85,252</u>
Other Financing Sources (Uses)				
Transfers In		130,000	1,452	131,452
Transfers Out	(170,000)	(1,452)	(29,629)	(201,081)
<i>Total Other Financing Sources (Uses)</i>	<u>(170,000)</u>	<u>128,548</u>	<u>(28,177)</u>	<u>(69,629)</u>
<i>Net Change in Fund Balances</i>	38,973	6,591	(29,941)	15,623
<i>Fund Balances Beginning of Year</i>	<u>761,087</u>	<u>87,636</u>	<u>51,766</u>	<u>900,489</u>
<i>Fund Balances End of Year</i>	<u>\$800,060</u>	<u>\$94,227</u>	<u>\$21,825</u>	<u>\$916,112</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes and Other Local Taxes	\$538,700	\$538,700	\$590,754	\$52,054
Intergovernmental	80,400	80,400	84,391	3,991
Charges for Services	12,500	12,500	3,877	(8,623)
Fines, Licenses and Permits	21,900	21,900	22,513	613
Earnings on Investments	3,000	3,000	1,059	(1,941)
Miscellaneous	7,000	7,000	112	(6,888)
<i>Total Receipts</i>	<u>663,500</u>	<u>663,500</u>	<u>702,706</u>	<u>39,206</u>
Disbursements				
Current:				
Security of Persons and Property	320,820	325,920	322,889	3,031
Public Health Services	6,200	23,983	18,454	5,529
Leisure Time Activities	56,200	56,200	39,364	16,836
Community Environment	18,065	18,065	14,006	4,059
General Government	127,263	127,263	124,849	2,414
<i>Total Disbursements</i>	<u>528,548</u>	<u>551,431</u>	<u>519,562</u>	<u>31,869</u>
<i>Excess of Receipts Over Disbursements</i>	<u>134,952</u>	<u>112,069</u>	<u>183,144</u>	<u>71,075</u>
Other Financing Uses				
Transfers Out	(170,000)	(170,000)	(170,000)	0
Other Financing Uses	(11,250)	(11,250)		11,250
<i>Total Other Financing Uses</i>	<u>(181,250)</u>	<u>(181,250)</u>	<u>(170,000)</u>	<u>11,250</u>
<i>Net Change in Fund Balance</i>	(46,298)	(69,181)	13,144	82,325
<i>Unencumbered Fund Balance Beginning of Year</i>	760,587	760,587	760,587	0
<i>Prior Year Encumbrances Appropriated</i>	<u>500</u>	<u>500</u>	<u>500</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$714,789</u>	<u>\$691,906</u>	<u>\$774,231</u>	<u>\$82,325</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$55,000	\$55,000	\$60,044	\$5,044
Miscellaneous	6,000	6,000	7,926	1,926
<i>Total Receipts</i>	<u>61,000</u>	<u>61,000</u>	<u>67,970</u>	<u>6,970</u>
Disbursements				
Current:				
Transportation	270,777	270,777	190,515	80,262
<i>Total Disbursements</i>	<u>270,777</u>	<u>270,777</u>	<u>190,515</u>	<u>80,262</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(209,777)</u>	<u>(209,777)</u>	<u>(122,545)</u>	<u>87,232</u>
Other Financing Sources (Uses)				
Transfers In	130,000	130,000	130,000	0
Transfers Out	(1,452)	(1,452)	(1,452)	0
<i>Total Other Financing Sources (Uses)</i>	<u>128,548</u>	<u>128,548</u>	<u>128,548</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(81,229)	(81,229)	6,003	87,232
<i>Unencumbered Fund Balance Beginning of Year</i>	73,458	73,458	73,458	0
Prior Year Encumbrances Appropriated	14,177	14,177	14,177	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$6,406</u>	<u>\$6,406</u>	<u>\$93,638</u>	<u>\$87,232</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
 Wayne County
 Statement of Fund Net Assets - Cash Basis
 Proprietary Funds
 December 31, 2011

	Business-Type Activities					Total Enterprise Funds
	Major Water Fund	Major Sewer Fund	Water Improv. Fund	Sewer Improv. Fund	Other Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$267,078</u>	<u>\$71,541</u>	<u>\$480,185</u>	<u>\$314,722</u>	<u>\$10,285</u>	<u>\$1,143,811</u>
Net Assets						
Restricted for:						
Other Purposes	<u>\$267,078</u>	<u>\$71,541</u>	<u>\$480,185</u>	<u>\$314,722</u>	<u>\$10,285</u>	<u>\$1,143,811</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities					Total Enterprise Funds
	Water Fund	Sewer Fund	Water Improv. Fund	Sewer Improv. Fund	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$151,337	\$188,740	\$69,426	\$71,426	\$4,335	\$485,264
Earnings on Investment			133	196		329
Miscellaneous	3,381	2,992				6,373
<i>Total Operating Receipts</i>	<u>154,718</u>	<u>191,732</u>	<u>69,559</u>	<u>71,622</u>	<u>4,335</u>	<u>491,966</u>
Operating Disbursements						
Billing - Water	25,923					25,923
Pumping - Water	153,179					153,179
Billing - Sanitary Sewers and Sewage		26,966				26,966
Pumping - Sanitary Sewers and Sewage		120,714				120,714
Other Sanitary Sewers and Sewage					2,625	2,625
Capital Outlay			25,859	52,809		78,668
Debt Service	21,496	53,012				74,508
<i>Total Operating Disbursements</i>	<u>200,598</u>	<u>200,692</u>	<u>25,859</u>	<u>52,809</u>	<u>2,625</u>	<u>482,583</u>
<i>Operating Income (Loss)</i>	<u>(45,880)</u>	<u>(8,960)</u>	<u>43,700</u>	<u>18,813</u>	<u>1,710</u>	<u>9,383</u>
Transfers In			40,864	28,765		69,629
<i>Change in Net Assets</i>	(45,880)	(8,960)	84,564	47,578	1,710	79,012
<i>Net Assets Beginning of Year</i>	<u>312,958</u>	<u>80,501</u>	<u>395,621</u>	<u>267,144</u>	<u>8,575</u>	<u>1,064,799</u>
<i>Net Assets End of Year</i>	<u>\$267,078</u>	<u>\$71,541</u>	<u>\$480,185</u>	<u>\$314,722</u>	<u>\$10,285</u>	<u>\$1,143,811</u>

See accompanying notes to the basic financial statements

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Village of Smithville, Ohio
Wayne County
Statement of Net Assets - Cash Basis
December 31, 2010

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$900,489	\$1,064,799	\$1,965,288
Net Assets			
Restricted for:			
Other Purposes	\$139,402	\$1,064,799	\$1,204,201
Unrestricted	761,087		761,087
<i>Total Net Assets</i>	\$900,489	\$1,064,799	\$1,965,288

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$284,731			
Public Health Services	7,631		\$1,790	
Leisure Time Activities	39,135			
Community Environment	13,420		10,880	
Transportation	304,457			
General Government	113,154			
Capital Outlay	405,085			\$317,688
Debt Service	1,459			
<i>Total Governmental Activities</i>	<u>1,169,072</u>	<u>\$0</u>	<u>12,670</u>	<u>317,688</u>
Business-Type Activities				
Sewer Fund	199,213	188,911		
Sewer Improvement Fund	60	72,280		
Water Fund	143,798	146,768		
Water Improvement Fund	5,136	70,280		
Other Enterprise Funds	2,625	5,250		
<i>Total Business-Type Activities</i>	<u>350,832</u>	<u>483,489</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$1,519,904</u>	<u>\$483,489</u>	<u>\$12,670</u>	<u>\$317,688</u>

General Receipts:
Property and Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Charges for Services
Fines, Licenses, and Permits
Earnings on Investments
Miscellaneous

Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$284,731)		(\$284,731)
(5,841)		(5,841)
(39,135)		(39,135)
(2,540)		(2,540)
(304,457)		(304,457)
(113,154)		(113,154)
(87,397)		(87,397)
(1,459)		(1,459)
<u>(838,714)</u>	<u>\$0</u>	<u>(838,714)</u>
	(10,302)	(10,302)
	72,220	72,220
	2,970	2,970
	65,144	65,144
	2,625	2,625
<u>0</u>	<u>132,657</u>	<u>132,657</u>
<u>(\$838,714)</u>	<u>\$132,657</u>	<u>(\$706,057)</u>
592,881		592,881
114,129		114,129
39,526		39,526
24,239		24,239
3,723	603	4,326
13,195	4,908	18,103
<u>787,693</u>	<u>5,511</u>	<u>793,204</u>
<u>90,427</u>	<u>(90,427)</u>	<u>0</u>
<u>878,120</u>	<u>(84,916)</u>	<u>793,204</u>
39,406	47,741	87,147
<u>861,083</u>	<u>1,017,058</u>	<u>1,878,141</u>
<u>\$900,489</u>	<u>\$1,064,799</u>	<u>\$1,965,288</u>

Village of Smithville, Ohio
Wayne County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2010

	General	Street Fund	Sewer Cap. Imp. Iss. II OPWC Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$761,087	\$87,636	\$28,765	\$23,001	\$900,489
Fund Balances					
Restricted		\$87,636	\$28,765	\$21,804	\$138,205
Committed				1,197	1,197
Unassigned	\$761,087				761,087
<i>Total Fund Balances</i>	<u>\$761,087</u>	<u>\$87,636</u>	<u>\$28,765</u>	<u>\$23,001</u>	<u>\$900,489</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2010

	General	Street Fund	Sewer Cap. Imp. Iss. II OPWC Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes and Other Local Taxes	\$592,881				\$592,881
Intergovernmental	60,678	\$157,407	\$206,688	\$19,714	444,487
Charges for Services	39,526				39,526
Fines, Licenses and Permits	22,219			2,020	24,239
Earnings on Investments	3,723				3,723
Miscellaneous	6,217	5,986		992	13,195
<i>Total Receipts</i>	<u>725,244</u>	<u>163,393</u>	<u>206,688</u>	<u>22,726</u>	<u>1,118,051</u>
Disbursements					
Current:					
Security of Persons and Property	284,731				284,731
Public Health Services	7,631				7,631
Leisure Time Activities	39,135				39,135
Community Environment	13,420				13,420
Transportation		303,422		1,035	304,457
General Government	110,808			2,346	113,154
Capital Outlay			317,923	87,162	405,085
Debt Service				1,459	1,459
<i>Total Disbursements</i>	<u>455,725</u>	<u>303,422</u>	<u>317,923</u>	<u>92,002</u>	<u>1,169,072</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>269,519</u>	<u>(140,029)</u>	<u>(111,235)</u>	<u>(69,276)</u>	<u>(51,021)</u>
Other Financing Sources (Uses)					
Transfers In	427	130,000	140,000	3,455	273,882
Transfers Out	(182,000)	(1,455)			(183,455)
<i>Total Other Financing Sources (Uses)</i>	<u>(181,573)</u>	<u>128,545</u>	<u>140,000</u>	<u>3,455</u>	<u>90,427</u>
<i>Net Change in Fund Balances</i>	87,946	(11,484)	28,765	(65,821)	39,406
<i>Fund Balances Beginning of Year</i>	<u>673,141</u>	<u>99,120</u>		<u>88,822</u>	<u>861,083</u>
<i>Fund Balances End of Year</i>	<u>\$761,087</u>	<u>\$87,636</u>	<u>\$28,765</u>	<u>\$23,001</u>	<u>\$900,489</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes and Other Local Taxes	\$560,000	\$560,000	\$592,881	\$32,881
Intergovernmental	93,746	93,746	60,678	(33,068)
Charges for Services	13,000	13,000	39,526	26,526
Fines, Licenses and Permits	21,000	21,000	22,219	1,219
Earnings on Investments	13,000	13,000	3,723	(9,277)
Miscellaneous	9,200	9,200	6,217	(2,983)
<i>Total Receipts</i>	<u>709,946</u>	<u>709,946</u>	<u>725,244</u>	<u>15,298</u>
Disbursements				
Current:				
Security of Persons and Property	321,286	321,286	285,081	36,205
Public Health Services	4,200	6,500	7,631	(1,131)
Leisure Time Activities	38,370	38,370	39,135	(765)
Community Environment	25,383	25,383	13,420	11,963
General Government	112,959	112,959	110,958	2,001
<i>Total Disbursements</i>	<u>502,198</u>	<u>504,498</u>	<u>456,225</u>	<u>48,273</u>
<i>Excess of Receipts Over Disbursements</i>	<u>207,748</u>	<u>205,448</u>	<u>269,019</u>	<u>63,571</u>
Other Financing Sources (Uses)				
Transfers In			427	427
Transfers Out	(205,000)	(205,000)	(182,000)	23,000
Other Financing Uses	(11,250)	(11,250)		11,250
<i>Total Other Financing Sources (Uses)</i>	<u>(216,250)</u>	<u>(216,250)</u>	<u>(181,573)</u>	<u>34,677</u>
<i>Net Change in Fund Balance</i>	(8,502)	(10,802)	87,446	98,248
<i>Unencumbered Fund Balance Beginning of Year</i>	670,172	670,172	670,172	0
Prior Year Encumbrances Appropriated	2,969	2,969	2,969	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$664,639</u>	<u>\$662,339</u>	<u>\$760,587</u>	<u>\$98,248</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$182,000	\$157,393	\$157,407	\$14
Miscellaneous	6,000	6,000	5,986	(14)
<i>Total Receipts</i>	<u>188,000</u>	<u>163,393</u>	<u>163,393</u>	<u>0</u>
Disbursements				
Current:				
Transportation	381,577	381,577	317,599	63,978
<i>Total Disbursements</i>	<u>381,577</u>	<u>381,577</u>	<u>317,599</u>	<u>63,978</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(193,577)</u>	<u>(218,184)</u>	<u>(154,206)</u>	<u>63,978</u>
Other Financing Sources (Uses)				
Transfers In	130,000	130,000	130,000	0
Transfers Out	(1,455)	(1,455)	(1,455)	0
<i>Total Other Financing Sources (Uses)</i>	<u>128,545</u>	<u>128,545</u>	<u>128,545</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(65,032)	(89,639)	(25,661)	63,978
<i>Unencumbered Fund Balance Beginning of Year</i>	98,882	98,882	98,882	0
Prior Year Encumbrances Appropriated	238	238	238	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$34,088</u>	<u>\$9,481</u>	<u>\$73,459</u>	<u>\$63,978</u>

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
 Wayne County
 Statement of Fund Net Assets - Cash Basis
 Proprietary Funds
 December 31, 2010

	Business-Type Activities					Total Enterprise Funds
	Major Water Fund	Major Sewer Fund	Water Improv. Fund	Sewer Improv. Fund	Other Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	\$312,958	\$80,501	\$395,621	\$267,144	\$8,575	\$1,064,799
Net Assets						
Restricted for:						
Other Purposes	\$312,958	\$80,501	\$395,621	\$267,144	\$8,575	\$1,064,799

See accompanying notes to the basic financial statements

Village of Smithville, Ohio
Wayne County
Statement of Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2010

	Business-Type Activities					Total Enterprise Funds
	Water Fund	Sewer Fund	Water Improv. Fund	Sewer Improv. Fund	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$146,768	\$188,911	\$70,280	\$72,280	\$5,250	\$483,489
Earnings on Investment				603		603
Miscellaneous	2,737	2,171				4,908
<i>Total Operating Receipts</i>	<u>149,505</u>	<u>191,082</u>	<u>70,280</u>	<u>72,883</u>	<u>5,250</u>	<u>489,000</u>
Operating Disbursements						
Billing - Water	27,069					27,069
Pumping - Water	95,233					95,233
Billing - Sanitary Sewers and Sewage		28,422				28,422
Pumping - Sanitary Sewers and Sewage		125,654				125,654
Other Sanitary Sewers and Sewage					2,625	2,625
Capital Outlay			5,136	60		5,196
Debt Service	21,496	45,137				66,633
<i>Total Operating Disbursements</i>	<u>143,798</u>	<u>199,213</u>	<u>5,136</u>	<u>60</u>	<u>2,625</u>	<u>350,832</u>
<i>Operating Income (Loss)</i>	<u>5,707</u>	<u>(8,131)</u>	<u>65,144</u>	<u>72,823</u>	<u>2,625</u>	<u>138,168</u>
Transfers In		32,000	50,000			82,000
Transfers Out	(70)	(357)		(172,000)		(172,427)
<i>Change in Net Assets</i>	5,637	23,512	115,144	(99,177)	2,625	47,741
<i>Net Assets Beginning of Year</i>	<u>307,321</u>	<u>56,989</u>	<u>280,477</u>	<u>366,321</u>	<u>5,950</u>	<u>1,017,058</u>
<i>Net Assets End of Year</i>	<u>\$312,958</u>	<u>\$80,501</u>	<u>\$395,621</u>	<u>\$267,144</u>	<u>\$8,575</u>	<u>\$1,064,799</u>

See accompanying notes to the basic financial statements

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Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 - Reporting Entity

The Village of Smithville, Wayne County, Ohio, (the Village) 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. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Smithville provides the following services to its citizens: police protection, parks and recreation, building inspection, street maintenance and repairs, water and sewer services. Council has direct responsibility for these services.

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 in two categories: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

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

Street The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Sewer Capital Improvement Issue II OPWC This fund was used to account for and report the sewer project significantly funded by OPWC.

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

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major 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.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Improvement The water improvement fund accounts for the maintenance and repair of the water plant.

Sewer Improvement The sewer improvement fund accounts for the maintenance and repair of the sewer plant.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost reimbursement basis. The Village does not have an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village does not have agency funds.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The Village had no investments during 2010 and 2011.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 and 2010 were \$1,059 and \$3,723, respectively.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. Restricted Assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of capital assets originally acquired with bond proceeds.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street repairs and maintenance and enterprise fund activity.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (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.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Net Assets/Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and street fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at 2011 and 2010 (budgetary basis) amounted to \$25,829 and \$500 for the general fund and \$588 and \$14,177 for the street fund, respectively.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Deposits and Investments (continued)

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At 2011 and 2010 year end, \$1,829,643 and \$1,752,936 of the Village's bank balance of \$2,086,529 and \$2,007,579, respectively, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

At December 31, 2011 and 2010, the Village had no investments.

Note 6 – Income Taxes

The Village levies a 1.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The Village's income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2010 and 2011, all receipts were allocated to the general fund.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 and 2010 for real and public utility property taxes represents collections of 2010 and 2009 taxes, respectively. 2011 and 2010 real property taxes are levied after October 1, 2011 and October 1, 2010, respectively, on the assessed value as of January 1, 2011 and January 1, 2010, respectively, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 and 2010 real property taxes are collected in and intended to finance 2012 and 2011, respectively.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 and 2010 public utility property taxes which became a lien December 31, 2010 and December 31, 2009 are levied after October 1, 2011 and October 1, 2010, respectively, and are collected in 2011 and 2010 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011 and December 31, 2010, was \$2.70 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 and 2010 property tax receipts were based are as follows:

	2011	2010
Real Property		
Residential/Agriculture	\$19,165,250	\$19,162,940
Other	4,374,510	4,099,090
Public Utility Personal Property	598,360	596,938
Total	\$24,138,120	\$23,858,968

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 8 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8 - Risk Management (continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

	<u>2011</u>	<u>2010</u>
	\$13,232	\$12,861

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the years ended December 31, 2011 and 2010, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.61 percent, respectively, in 2011 and 10.5 percent and 11.1 percent, respectively, in 2010. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011 and 2010, member and employer contribution rates were consistent across all three plans.

The Village's 2011 and 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 18.10 percent and 17.87 percent of covered payroll for 2011 and 2010, respectively. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent in 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent in 2011. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011 and 2010 were \$51,598 and \$50,419, respectively; 100 percent has been contributed for 2011 and 2010.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 9 - Defined Benefit Pension Plans (continued)

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For 2011 and 2010, the portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police pension were \$34,477 and \$28,537 for the years ended December 31, 2011 and 2010, respectively. The full amount has been contributed for 2011 and 2010.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 10 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011 and 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 and 17.87 percent for 2011 and 2010, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent in 2011 and 5.5 percent from January 1 through February 28, 2010 and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent in 2011 and 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011 and 2010 were \$14,742 and \$18,340, respectively; 100 percent has been contributed for 2011 and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 10 - Postemployment Benefits (continued)

Ohio Police and Fire Pension Fund (continued)

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2011 and 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$9,697 and \$8,026 for the years ended December 31, 2011 and 2010. The full amount has been contributed for 2011 and 2010.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 11 - Debt

Debt outstanding at December 31, 2011 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 (CP11B) 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.

The changes in the Village's long-term debt during 2011 were as follows:

	Amount Outstanding 12/31/10	Additions	Deletions	Amount Outstanding 12/31/11	Amounts Due in One Year
Loans:					
OWDA	\$263,352		(\$37,106)	\$226,246	\$38,288
OPWC (CP26C)	110,717		(10,544)	100,173	10,545
OPWC (CP11B)	74,589		(7,459)	67,130	7,459
OPWC (CP26D)	15,994		(1,454)	14,540	1,454
OPWC (CP11J)	61,115		(3,492)	57,623	3,492
Total	<u>\$525,767</u>	<u>\$0</u>	<u>(\$60,055)</u>	<u>\$465,712</u>	<u>\$61,238</u>

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 11 – Debt (continued)

Principal and interest requirements to retire loans outstanding at December 31, 2011, were as follows:

Year	Loans		
	OWDA		OPWC
	Principal	Interest	Principal
2012	\$38,288	\$6,849	\$22,950
2013	39,507	5,630	22,950
2014	40,766	4,372	22,949
2015	42,064	3,073	22,949
2016	43,404	1,733	22,949
2017-2021	22,217	351	102,019
2022-2026			17,461
2027-2028			5,239
Total	\$226,246	\$22,008	\$239,466

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2011 Fund Balances	General Fund	Street Fund	Other Governmental Funds	Total
Restricted for				
Street		\$94,227		\$94,227
State Highway			\$15,201	15,201
Law Enforcement Trust			595	595
Mayor's Court Auto			5,697	5,697
<i>Total Restricted</i>		94,227	21,493	115,720
Committed to				
Recreation			329	329
<i>Total Committed</i>			329	329
Assigned to				
Other Purposes			3	3
<i>Total Assigned</i>			3	3
Unassigned (deficits):	\$800,060			800,060
<i>Total Fund Balances</i>	\$800,060	\$94,227	\$21,825	\$916,112

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 12 – Fund Balances (continued)

2010	Fund Balances	General Fund	Street Fund	Swr Cap Imp Iss II OPWC Fund	Other Governmental Funds	Total
Restricted for						
Street			\$87,636			\$87,636
Issue II Projects				\$28,765		28,765
State Highway					\$15,278	15,278
Law Enforcement Trust					495	495
Water Improvement					864	864
Mayor's Court Auto					5,167	5,167
<i>Total Restricted</i>			<u>87,636</u>	<u>28,765</u>	<u>21,804</u>	<u>138,205</u>
Committed to						
Recreation					1,197	1,197
<i>Total Committed</i>					<u>1,197</u>	<u>1,197</u>
Unassigned (deficits):	\$761,087					761,087
<i>Total Fund Balances</i>	<u>\$761,087</u>		<u>\$87,636</u>	<u>\$28,765</u>	<u>\$23,001</u>	<u>\$900,489</u>

Note 13 - Interfund Transfers

During 2011 the following transfers were made:

Transfers To	Transfers From				Total
	General	Street Fund	Sewer Capital Improv. Fund	Other Governmental Funds	
Street Fund	\$130,000				\$130,000
Water Improv. Fund	40,000			\$864	40,864
Sewer Improv. Fund			\$28,765		28,765
Other Governmental Funds		\$1,452			1,452
Total	<u>\$170,000</u>	<u>\$1,452</u>	<u>\$28,765</u>	<u>\$864</u>	<u>\$201,081</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of Smithville, Ohio
Wayne County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 13 - Interfund Transfers (continued)

The General fund transfers to the Street and Water Improvement funds were made to provide additional resources for current operations and capital improvements. The transfer from the Street Fund to other governmental funds was for debt retirement. The transfers from the Sewer Capital Improvement Fund to the Sewer Improvement Fund and from the Water System Capital Improvement Fund to the Water Improvement Fund were the Village's excess local match after the projects were completed.

During 2010 the following transfers were made:

<u>Transfers To</u>	<u>Transfers From</u>					Total
	General	Street Fund	Sewer Improv. Fund	Sewer Fund	Water Fund	
General Fund				\$357	\$70	\$427
Street Fund	\$130,000					130,000
Water Improv. Fund	50,000					50,000
Sewer Cap. Improv. Fund			\$140,000			140,000
Sewer Fund			32,000			32,000
Other Governmental Funds	2,000	\$1,455				3,455
Total	<u>\$182,000</u>	<u>\$1,455</u>	<u>\$172,000</u>	<u>\$357</u>	<u>\$70</u>	<u>\$355,882</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General fund transfers to the Street, Water Improvement, and other governmental funds were made to provide additional resources for current operations and capital improvements. The transfer from the Street Fund to other governmental funds was for debt retirement. The transfer from the Sewer Improvement Fund to the Sewer Capital Improvement and Sewer Fund was made to provide additional resources for current operations and for the local match for the OPWC project. The small transfer from the Sewer and Water funds to the General Fund were unallowable, but due to their immaterial amounts, were not adjusted.

Note 14 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors 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.

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Dave Yost • Auditor of State

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

Village of Smithville
Wayne County
P.O. Box 517
Smithville, Ohio 44677

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Smithville, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 24, 2012, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 Village'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 was not designed to identify all deficiencies in internal control over financial reporting 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 24, 2012.

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

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

Dave Yost
Auditor of State

August 24, 2012



Dave Yost • 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
OCTOBER 2, 2012