



**Auditor of State  
Betty Montgomery**



**SMITH TOWNSHIP  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Smith Township  
Mahoning County  
846 North Johnson Road  
Sebring, Ohio 44672

To the Board of Trustees:

We have audited the accompanying financial statements of Smith Township, Mahoning County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Smith Township, Mahoning County, Ohio as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Smith Township  
Mahoning County  
Independent Accountants' Report  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 10, 2004

**SMITH TOWNSHIP  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$55,835	\$477,216		\$533,051
Intergovernmental	87,193	118,464		205,657
Licenses, Permits, and Fees	61,277	1,325		62,602
Fines, Forfeitures, and Penalties		25,271		25,271
Earnings on Investments	4,816	609		5,425
Miscellaneous	2,223	5,174	\$12,000	19,397
	<u>211,344</u>	<u>628,059</u>	<u>12,000</u>	<u>851,403</u>
Total Cash Receipts				
	<u>211,344</u>	<u>628,059</u>	<u>12,000</u>	<u>851,403</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	117,874			117,874
Public Safety		402,916		402,916
Public Works	44,326	165,838		210,164
Health	16,798			16,798
Other		751	12,000	12,751
Capital Outlay	42,695	26,751		69,446
	<u>221,693</u>	<u>596,256</u>	<u>12,000</u>	<u>829,949</u>
Total Cash Disbursements				
	<u>221,693</u>	<u>596,256</u>	<u>12,000</u>	<u>829,949</u>
Total Receipts Over/(Under) Disbursements	<u>(10,349)</u>	<u>31,803</u>		<u>21,454</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	19,890			19,890
Transfers-Out			(19,890)	(19,890)
	<u>19,890</u>		<u>(19,890)</u>	
Total Other Financing Receipts/(Disbursements)				
	<u>19,890</u>		<u>(19,890)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,541	31,803	(19,890)	21,454
Fund Cash Balances, January 1	<u>226,512</u>	<u>190,956</u>	<u>19,890</u>	<u>437,358</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$236,053</u></b>	<b><u>\$222,759</u></b>	<b><u>\$0</u></b>	<b><u>\$458,812</u></b>
Reserve for Encumbrances, December 31	<u>\$254</u>	<u>\$2,125</u>	<u>\$0</u>	<u>\$2,379</u>

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

**SMITH TOWNSHIP  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$56,195	\$478,045		\$534,240
Intergovernmental	55,238	123,583		178,821
Licenses, Permits, and Fees	55,845	1,358		57,203
Fines, Forfeitures, and Penalties		18,303		18,303
Earnings on Investments	5,730	653		6,383
Miscellaneous	18,304	17,507	\$4,000	39,811
	<u>191,312</u>	<u>639,449</u>	<u>4,000</u>	<u>834,761</u>
Total Cash Receipts				
	<u>191,312</u>	<u>639,449</u>	<u>4,000</u>	<u>834,761</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	82,233			82,233
Public Safety		459,904		459,904
Public Works	33,183	150,483		183,666
Health	16,294			16,294
Other		38	4,000	4,038
Capital Outlay	14,500	1,969		16,469
	<u>146,210</u>	<u>612,394</u>	<u>4,000</u>	<u>762,604</u>
Total Cash Disbursements				
	<u>146,210</u>	<u>612,394</u>	<u>4,000</u>	<u>762,604</u>
Total Receipts Over/(Under) Disbursements	<u>45,102</u>	<u>27,055</u>		<u>72,157</u>
Fund Cash Balances, January 1	<u>181,410</u>	<u>163,901</u>	<u>19,890</u>	<u>365,201</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$226,512</u></u></b>	<b><u><u>\$190,956</u></u></b>	<b><u><u>\$19,890</u></u></b>	<b><u><u>\$437,358</u></u></b>

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



**SMITH TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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

Money Market funds are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**SMITH TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**3. Fiduciary Funds (Agency Fund)**

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

*Unclaimed Monies Fund* – This fund was established to maintain monies on deposit with the Township which belong to other governments, businesses and citizens. During the current period the Township transferred the remaining balance of these funds to the General Fund because five years have passed since they have been segregated from all other funds. Even though the monies have been transferred to the General Fund, other governments, businesses and citizens have the right to request, with proper proof of identification and other documentation to receive their monies owed them.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**SMITH TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Deposits (demand deposits)	\$89,839	\$28,542
Investments (money market account)	368,973	408,816
Total deposits and investments	\$458,812	\$437,358

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,698	\$231,234	\$53,536
Special Revenue	548,032	628,059	80,027
Fiduciary	12,000	12,000	0
Total	\$737,730	\$871,293	\$133,563

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$370,290	\$221,947	\$148,343
Special Revenue	702,795	598,381	104,414
Fiduciary	31,890	31,890	0
Total	\$1,104,975	\$852,218	\$252,757

**SMITH TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,631	\$191,312	\$30,681
Special Revenue	563,206	639,449	76,243
Fiduciary	4,000	4,000	0
Total	\$727,837	\$834,761	\$106,924

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,805	\$146,210	\$137,595
Special Revenue	712,531	612,394	100,137
Fiduciary	23,890	4,000	19,890
Total	\$1,020,226	\$762,604	\$257,622

**4. PROPERTY TAX**

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

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

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

**5. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS Law Enforcement participants contributed 10.10% of their wages. The Township contributed an amount equal to 16.70% of their wages. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2003. The Township has paid all contributions required through December 31, 2003.

**SMITH TOWNSHIP  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2003</b>	<b>2002</b>
Assets	\$5,402,167	\$5,584,592
Liabilities	(1,871,123)	(2,441,793)
Members' Equity	\$3,531,044	\$3,142,799

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

The Township also provides health insurance and dental and vision coverage to full time employees through a private carrier.

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

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

Smith Township  
Mahoning County  
846 North Johnson Road  
Sebring, Ohio 44672

To the Board of Trustees:

We have audited the financial statements of Smith Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 10, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the Township's management in a separate letter dated August 10, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Township's management in a separate letter dated August 10, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 10, 2004





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**SMITH TOWNSHIP  
MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 16, 2004**