

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004**





Mary Taylor, CPA  
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Accountants' Report* of the Village of Smithville, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 28, 2006

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VILLAGE OF SMITHVILLE  
WAYNE COUNTY

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Accountants and Consultants

## Independent Accountants' Report

Village of Smithville  
Wayne County  
207 West Main Street  
Smithville, Ohio 44677

We have audited the accompanying financial statements of the Village of Smithville, Wayne County, Ohio, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the Village does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Smithville, Wayne County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006, on our consideration of the Village of Smithville's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. 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.

*Knox & Knox*

Orrville Ohio  
June 23, 2006

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH  
BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$561,151			\$561,151
Intergovernmental Receipts	51,871	\$77,808		129,679
Fines, Licenses, and Permits	17,937	1,666		19,603
Earnings on Investments	7,185	245		7,430
Charges for Services	7,045			7,045
Miscellaneous	22,972	48,157		71,129
Total Cash Receipts	668,161	127,876		796,037
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	249,401	1,465		250,866
Public Health Services	5,513			5,513
Leisure Time Activities	57,586			57,586
Community Environment	20,736	6,098		26,834
Transportation		130,567		130,567
General Government	110,601			110,601
Debt Service			\$1,454	1,454
Capital Outlay		84,630		84,630
Total Cash Disbursements	443,837	222,760	1,454	668,051
Total Cash Receipts Over/ (Under) Cash Disbursements	224,324	(94,884)	(1,454)	127,986
<b>Other Financing Receipts and (Disbursements)</b>				
Transfers-In		169,699	1,454	171,153
Transfers-Out	(173,454)			(173,454)
Total Other Financing Receipts/(Disbursements)	(173,454)	169,699	1,454	(2,301)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	50,870	74,815		125,685
Fund Cash Balances, January 1	332,809	94,639		427,448
Fund Cash Balances, December 31	\$383,679	\$169,454		\$553,133

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$423,032		\$423,032
Miscellaneous	<u>22,188</u>	<u>\$22,063</u>	<u>44,251</u>
Total Operating Cash Receipts	<u>445,220</u>	<u>22,063</u>	<u>467,283</u>
Operating Cash Disbursements:			
Personal Services	142,048		142,048
Contractual Services	34,315		34,315
Supplies and Materials	101,904		101,904
Miscellaneous		<u>22,063</u>	<u>22,063</u>
Total Operating Cash Disbursements	<u>278,267</u>	<u>22,063</u>	<u>300,330</u>
Operating Income/(Loss)	<u>166,953</u>		<u>166,953</u>
Non-Operating Cash Receipts:			
Transfers-In	<u>2,301</u>		<u>2,301</u>
Total Non-Operating Cash Receipts	<u>2,301</u>		<u>2,301</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>90,489</u>		<u>90,489</u>
Total Non-Operating Cash Disbursements	<u>90,489</u>		<u>90,489</u>
Net Receipts Over/(Under) Disbursements	78,765		78,765
Fund Cash Balances, January 1	<u>974,684</u>		<u>974,684</u>
Fund Cash Balances, December 31	<u><u>\$1,053,449</u></u>		<u><u>\$1,053,449</u></u>

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH  
BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$580,129			\$580,129
Intergovernmental Receipts	51,857	\$100,730		152,587
Fines, Licenses, and Permits	31,423	2,560		33,983
Earnings on Investments	2,491	276		2,767
Charges for Services	5,171			5,171
Miscellaneous	37,572	67,539		105,111
	<u>708,643</u>	<u>171,105</u>	<u></u>	<u>879,748</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	265,724			265,724
Public Health Services	5,243			5,243
Leisure Time Activities	34,027	183,731		217,758
Community Environment	38,807			38,807
Transportation		183,295		183,295
General Government	116,721			116,721
Debt Service		1,454	\$149,185	150,639
	<u>460,522</u>	<u>368,480</u>	<u>149,185</u>	<u>978,187</u>
<b>Total Cash Receipts Over/ (Under) Cash Disbursements</b>	<u>248,121</u>	<u>(197,375)</u>	<u>(149,185)</u>	<u>(98,439)</u>
<b>Other Financing Receipts and (Disbursements)</b>				
Transfers-In		208,927	138,643	347,570
Transfers-Out	(363,950)			(363,950)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(363,950)</u>	<u>208,927</u>	<u>138,643</u>	<u>(16,380)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(115,829)</u>	<u>11,552</u>	<u>(10,542)</u>	<u>(114,819)</u>
<b>Fund Cash Balances, January 1</b>	<u>448,638</u>	<u>83,087</u>	<u>10,542</u>	<u>542,267</u>
<b>Fund Cash Balances, December 31</b>	<u>\$332,809</u>	<u>\$94,639</u>	<u></u>	<u>\$427,448</u>

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$427,595		\$427,595
Miscellaneous	9,296	\$37,910	47,206
Total Operating Cash Receipts	436,891	37,910	474,801
Operating Cash Disbursements:			
Personal Services	141,002		141,002
Contractual Services	33,021		33,021
Supplies and Materials	65,404		65,404
Miscellaneous		40,971	40,971
Total Operating Cash Disbursements	239,427	40,971	280,398
Operating Income/(Loss)	197,464	(3,061)	194,403
Non-Operating Cash Receipts:			
Transfers-In	97,000		97,000
Total Non-Operating Cash Receipts	97,000		97,000
Non-Operating Cash Disbursements:			
Debt Service	(80,620)		(80,620)
Total Non-Operating Cash Disbursements	(80,620)		(80,620)
Net Receipts Over/(Under) Disbursements	213,844	(3,061)	210,783
Fund Cash Balances, January 1	760,840	3,061	763,901
Fund Cash Balances, December 31	\$974,684		\$974,684

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Smithville, Wayne County, (the Village) is a body of corporate and politic 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 publicly-elected six-member Council and Mayor and an elected Clerk-Treasurer. The Village provides police services, maintenance of Village streets and highways, and water utility services.

The Village's management believes these financial statements present all activities for which the Village 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 the fund cash balance. 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. Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

*Parkland Acquisition Fund* - This fund receives donations for improving the Village park.

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

D. Fund Accounting (Continued)

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds.

*OPWC* - This fund is used to retire OPWC debt requirements.

*OWDA* - This fund is used to retire OWDA debt requirements.

**4. Enterprise Funds**

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

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

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

**5. Fiduciary Fund (Agency Fund)**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated Resources 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.



**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH**

The Village 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:

	2005	2004	
Demand deposits	\$ 261,582	\$ 707,132	
Certificates of deposit	1,345,000	695,000	
Total deposits	\$1,606,582	\$1,402,132	

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

	2005 Budgeted vs. Actual Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$668,712	\$668,161	(\$551)
Special Revenue	301,370	297,575	(3,795)
Debt Service	1,454	1,454	0
Enterprise	417,811	447,521	29,710
Total	\$1,389,347	\$1,414,711	\$25,364

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$753,534	\$617,291	\$136,243
Special Revenue	283,750	222,760	60,990
Debt Service	1,454	1,454	
Enterprise	426,859	368,756	58,103
Total	\$1,465,597	\$1,210,261	\$255,336

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$708,644	\$708,643	(\$1)
Special Revenue	391,517	380,032	(11,485)
Debt Service	149,187	138,643	(10,544)
Enterprise	533,891	533,891	
Total	\$1,783,239	\$1,761,209	(\$22,030)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$837,113	\$824,472	\$12,641
Special Revenue	401,306	368,480	32,826
Debt Service	149,188	149,185	3
Enterprise	325,813	320,047	5,766
Total	\$1,713,420	\$1,662,184	\$51,236

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1½. This tax applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned within the Village. It also applies to the net income of business organizations located within the Village.

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F 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.

Contributions rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. All contributions were paid for OPERS and OP&F through 2005 and 2004.

**8. RISK MANAGEMENT**

In 2005 and 2004 the Village has obtained commercial insurance for the following risks:

- Buildings and contents;
- Vehicles;
- Public officials' liability; and
- Inland marine.

The Village also provides health insurance to full-time employees through a private carrier.

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**9. DEBT OBLIGATIONS**

At December 31, 2005 debt obligations consisted of the following issuances:

<u>Description</u>	Balance at December 31, 2005
1998 loan with Ohio Public Works Commission (OPWC) wastewater treatment plant improvements due in semi-annual installments of \$13,822 through 2008, bearing interest rate of 0%.	\$ 55,286
1997 loan with Ohio Water Development Authority (OWDA), due in semi-annual installments of \$22,568 through 2017, bearing interest at 3.16%.	416,663
2000 loan with OPWC for Main Street Water Main Improvements, due in semi-annual installments of \$5,272 through 2020, bearing interest of 0%.	147,622
2000 loan with OPWC for Summit Street Water Main improvements, due in semi-annual installments of \$3,729 through 2020, bearing interest of 0%.	108,153
2001 loan with OPWC for Main and Dan Streets Culvert Replacement, due in semi-annual installments of \$727 through 2020, bearing interest of 0%.	<u>22,537</u>
Total debt obligations at December 31, 2005	<u>\$750,261</u>

The following is a summary of principal maturities plus interest:

<u>Year Ending December 31</u>	<u>Total OPWC</u>	<u>Total OWDA</u>
2006	\$ 47,101	\$45,137
2007	47,101	45,137
2008	19,456	45,137
2009	97,280	45,137
2010	97,280	45,137
2011-2015	19,456	225,686
2016-2020	<u>3,924</u>	<u>67,706</u>
Total	<u>\$333,598</u>	<u>\$519,077</u>

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**10. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, managements believes such refunds, if any, would not be material.

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Accountants and Consultants

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

Village of Smithville  
Wayne County  
207 West Main Street  
Smithville, Ohio 44677

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithville, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 23, 2006 wherein we noted that the Village prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's Internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Village's management dated June 23, 2006 we reported other matters involving internal control over financial reporting that we did not deem as reportable conditions.

Village of Smithville  
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This report is intended solely for the information and use of the management, the audit committee, the Village Council, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
June 23, 2006





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**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  
JANUARY 16, 2007**