



Mary Taylor, CPA
Auditor of State

**SMITH TOWNSHIP
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Smith Township
Mahoning County
846 N. Johnson Road
Sebring, Ohio 44762

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smith Township, Mahoning County, (the Township) as of and for the year ended December 31, 2006. 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 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. The Township processes its financial transactions with 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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, each major fund, and the aggregate remaining fund information of Smith Township, Mahoning County, Ohio as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, Gasoline Tax Fund, and Police District Fund, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2008, 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 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 30, 2008

Smith Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the Smith Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$140,287, or twenty-seven percent, a significant change from the prior year. The fund most affected by the increase in net assets was the General Fund mainly due to an increase in property tax revenue.

The Township's general receipts are primarily property taxes. These receipts represent sixty-three percent of the total cash received for governmental activities during the year.

The Gasoline Tax Fund's receipts increased significantly from the prior year which allowed the Township to carry out a chip and seal program on Best Road at a cost of \$23,415.

The Township's property insurance billing was changed to semi-annual, causing only half of the premium to be paid in 2006; with the second installment due in 2007. This resulted in a reduction of expenditures of \$8,200.

The Township also purchased a new police cruiser during 2006.

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 Township'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 Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township 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 Township 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 Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Smith Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational 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 draws from the Township's general receipts.

These statements report the Township'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 Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township'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 taxes.

All governmental activities are reported in the statement of net assets and the statement of activities.

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

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township 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 Township are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township'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 Township's programs. The Township'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 Township's major governmental funds are the General Fund, Gasoline Tax Fund, and the Police District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Smith Township
 Management's Discussion and Analysis
 For the Year Ended December 31, 2006
 Unaudited

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$653,913	\$513,626
Total Assets	\$653,913	\$513,626
 Net Assets		
Restricted for:		
Other Purposes	386,238	305,520
Unrestricted	267,675	208,106
Total Net Assets	\$653,913	\$513,626

As mentioned previously, net assets of governmental activities increased \$ 140,287 or twenty-seven percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Increased property tax revenues generated for all governmental funds.
- Health benefit costs decreased due to billing changes to semi-annual.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

Smith Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental	
	Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$69,524	\$61,531
Operating Grants and Contributions	110,714	86,731
Total Program Receipts	<u>180,238</u>	<u>148,262</u>
General Receipts:		
Property and Other Local Taxes	596,974	532,436
Intergovernmental	71,387	117,681
Interest	23,314	8,865
Miscellaneous	8,364	11,296
Total General Receipts	<u>700,039</u>	<u>670,278</u>
Total Receipts	<u>880,277</u>	<u>818,540</u>
Disbursements:		
General Government	116,952	184,372
Public Safety	407,192	424,466
Health	18,760	14,375
Public Works	144,316	170,240
Capital Outlay	54,507	34,016
Other	527	566
Total Disbursements	<u>742,254</u>	<u>828,035</u>
Increase (Decrease) in Net Assets	138,023	(9,495)
Net Assets, January 1	<u>515,890</u>	<u>525,385</u>
Net Assets, December 31	<u>\$653,913</u>	<u>\$515,890</u>

Program receipts represent twenty percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license fees, building permits and inspection fees and charges to a local government for police services provided under contract.

General receipts represent eighty percent of the Township's total receipts, and of this amount, eighty percent are property taxes. State grants and entitlements make up the most of the remaining balance of the Township's general receipts. The other receipts are insignificant and somewhat unpredictable revenue sources.

Smith Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees and the Fiscal Officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to a minimal percent of General Fund unrestricted receipts.

Public safety is the cost of police and fire protection; Health is the health department; and Public works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, public works, and general government which account for fifty-five, nineteen, and sixteen percent of all governmental disbursements, respectively. 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 Township 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
	2006	2006	2005	2005
General Government	\$116,952	\$116,952	\$184,372	\$184,372
Public Safety	407,192	387,657	424,466	404,858
Public Works	144,316	(6,170)	170,240	52,735
Health	18,760	18,760	14,375	14,375
Other	527	(9,690)	566	(10,583)
Capital Outlay	54,507	54,507	34,016	34,016
Total Expenses	\$742,254	\$562,016	\$828,035	\$679,773

The dependence upon property tax receipts is apparent as over seventy-five percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$880,277 and disbursements of \$742,254. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$57,306 as the result of an increase in property tax.

Smith Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

General Fund Budgeting Highlights

The Township'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.

During 2006, the Township did not amend its General Fund budget. The difference between final budgeted receipts and actual receipts was positive.

Final disbursements were budgeted at \$168,147 while actual disbursements were \$142,109. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

The Township does not currently have any outstanding debt.

Current Issues

The challenge for all Townships 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 taxes and have very little industry to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township'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 Mary Winters, Fiscal Officer, Smith Township, 846 N. Johnson Road, Sebring, OH 44672.

Smith Township
Mahoning County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$653,913</u>
<i>Total Assets</i>	<u><u>\$653,913</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$386,238
Unrestricted	<u>267,675</u>
<i>Total Net Assets</i>	<u><u>\$653,913</u></u>

See accompanying notes to the basic financial statements

Smith Township
Mahoning County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$116,952			(\$116,952)
Public Safety	407,192	\$15,277	\$4,258	(387,657)
Public Works	144,316	44,030	106,456	6,170
Health	18,760	0	0	(18,760)
Other	527	10,217	0	9,690
Capital Outlay	54,507	0	0	(54,507)
Total	<u>\$742,254</u>	<u>\$69,524</u>	<u>\$110,714</u>	<u>(562,016)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		558,724
		Other Taxes		38,250
		Grants and Entitlements not Restricted to Specific Programs		71,387
		Interest		23,314
		Miscellaneous		8,364
		<i>Total General Receipts</i>		<u>700,039</u>
		Change in Net Assets		138,023
		<i>Net Assets Beginning of Year</i>		<u>515,890</u>
		<i>Net Assets End of Year</i>		<u>\$653,913</u>

See accompanying notes to the basic financial statements

Smith Township
Mahoning County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Gasoline Tax	Police District	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$267,675	\$52,726	\$174,718	\$158,794	\$653,913
<i>Total Assets</i>	<u>\$267,675</u>	<u>\$52,726</u>	<u>\$174,718</u>	<u>\$158,794</u>	<u>\$653,913</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$365	\$116	\$810	\$172	\$1,463
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	267,310				267,310
Special Revenue Funds		52,610	173,908	158,622	385,140
<i>Total Fund Balances</i>	<u>\$267,675</u>	<u>\$52,726</u>	<u>\$174,718</u>	<u>\$158,794</u>	<u>\$653,913</u>

See accompanying notes to the basic financial statements

**Smith Township
Mahoning County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Police District	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$69,213		\$344,715	\$143,397	\$557,325
Licenses, Permits and Fees	10,217		510		10,727
Fines and Forfeitures			12,787	1,980	14,767
Intergovernmental	97,458	\$91,071	33,439	43,812	265,780
Earnings on Investments	19,799	1,341		2,174	23,314
Other	2,363		3,736	2,265	8,364
<i>Total Receipts</i>	<u>199,050</u>	<u>92,412</u>	<u>395,187</u>	<u>193,628</u>	<u>880,277</u>
Disbursements					
Current:					
General Government	116,951				116,951
Public Safety			356,379	50,813	407,192
Public Works	3,007	50,749		90,560	144,316
Health	18,760				18,760
Other				527	527
Capital Outlay	3,026	25,565	25,917		54,508
<i>Total Disbursements</i>	<u>141,744</u>	<u>76,314</u>	<u>382,296</u>	<u>141,900</u>	<u>742,254</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>57,306</u>	<u>16,098</u>	<u>12,891</u>	<u>51,728</u>	<u>138,023</u>
Other Financing Sources (Uses)					
Advances In	3,000			3,000	6,000
Advances Out	(3,000)			(3,000)	(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	57,306	16,098	12,891	51,728	138,023
<i>Fund Balances Beginning of Year</i>	<u>210,369</u>	<u>36,628</u>	<u>161,827</u>	<u>107,066</u>	<u>515,890</u>
<i>Fund Balances End of Year</i>	<u>\$267,675</u>	<u>\$52,726</u>	<u>\$174,718</u>	<u>\$158,794</u>	<u>\$653,913</u>

See accompanying notes to the basic financial statements

**Smith Township
Mahoning County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$55,000	\$55,000	\$69,213	\$14,213
Licenses, Permits and Fees	8,000	8,000	10,217	2,217
Intergovernmental	79,556	79,556	97,458	17,902
Earnings on Investments	5,000	5,000	19,799	14,799
Other	500	500	2,363	1,863
<i>Total receipts</i>	<u>148,056</u>	<u>148,056</u>	<u>199,050</u>	<u>50,994</u>
Disbursements				
Current:				
General Government	136,291	141,761	116,951	24,810
Public Works	4,500	4,500	3,372	1,128
Health	14,600	18,860	18,760	100
Capital Outlay	3,000	3,026	3,026	0
<i>Total Disbursements</i>	<u>158,391</u>	<u>168,147</u>	<u>142,109</u>	<u>26,038</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,335)</u>	<u>(20,091)</u>	<u>56,941</u>	<u>77,032</u>
Other Financing Sources (Uses)				
Advances In			3,000	3,000
Advances Out			(3,000)	(3,000)
Other Financing Uses	(10,000)	(245)		245
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(245)</u>	<u>0</u>	<u>245</u>
<i>Net Change in Fund Balance</i>	(20,335)	(20,336)	56,941	77,277
<i>Fund Balance Beginning of Year</i>	210,369	210,369	210,369	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$190,034</u>	<u>\$190,033</u>	<u>\$267,310</u>	<u>\$77,277</u>

See accompanying notes to the basic financial statements

**Smith Township
Mahoning County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax
For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$68,000	\$68,000	\$91,071	\$23,071
Other			1,341	1,341
<i>Total receipts</i>	<u>68,000</u>	<u>68,000</u>	<u>92,412</u>	<u>24,412</u>
Disbursements				
Current:				
Public Works	50,136	54,636	50,865	3,771
Capital Outlay	35,000	35,000	25,565	9,435
<i>Total Disbursements</i>	<u>85,136</u>	<u>89,636</u>	<u>76,430</u>	<u>13,206</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,136)</u>	<u>(21,636)</u>	<u>15,982</u>	<u>37,618</u>
Other Financing Sources (Uses)				
Other Financing Uses	(5,000)	(500)	0	500
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>(500)</u>	<u>0</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	<u>(22,136)</u>	<u>(22,136)</u>	<u>15,982</u>	<u>38,118</u>
<i>Fund Balance Beginning of Year</i>	36,628	36,628	36,628	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$14,492</u>	<u>\$14,492</u>	<u>\$52,610</u>	<u>\$38,118</u>

See accompanying notes to the basic financial statements

**Smith Township
Mahoning County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police District Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$335,000	\$335,000	\$344,715	\$9,715
Licenses, Permits and Fees	400	400	510	110
Fines and Forfeitures	12,000	12,000	12,787	787
Intergovernmental	28,000	28,000	33,439	5,439
Other			3,736	3,736
<i>Total receipts</i>	<u>375,400</u>	<u>375,400</u>	<u>395,187</u>	<u>19,787</u>
Disbursements				
Current:				
Public Safety	380,286	383,900	357,189	26,711
Capital Outlay	26,000	26,000	25,917	83
<i>Total Disbursements</i>	<u>406,286</u>	<u>409,900</u>	<u>383,106</u>	<u>26,794</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,886)</u>	<u>(34,500)</u>	<u>12,081</u>	<u>46,581</u>
Other Financing Sources (Uses)				
Other Financing Uses	(4,500)	(886)	0	886
<i>Total Other Financing Sources (Uses)</i>	<u>(4,500)</u>	<u>(886)</u>	<u>0</u>	<u>886</u>
<i>Net Change in Fund Balance</i>	(35,386)	(35,386)	12,081	47,467
<i>Fund Balance Beginning of Year</i>	161,827	161,827	161,827	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$126,441</u>	<u>\$126,441</u>	<u>\$173,908</u>	<u>\$47,467</u>

See accompanying notes to the basic financial statements

Smith Township
Mahoning County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,888
<i>Total Assets</i>	<u>\$7,888</u>
Net Assets	
Unrestricted	<u>\$7,888</u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Smith Township, Mahoning County, Ohio (the Township), is a body politic and corporate established in 1803 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Beloit and Sebring for fire protection and ambulance services. Police protection is provided by the Township.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township'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 Township as a whole. These statements include the financial activities of the Township. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash and investment balances, of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental 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 Township 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 that is 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 function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental 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.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are classified as governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund and Police District Fund.

General Fund -The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police District Fund – The Police District Fund receives property tax monies from a levy for maintaining the police force. This fund accounts for the transactions to maintain the police force.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund

The Township's fiduciary fund includes an agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for insurance money held in escrow for individuals until property damaged by fire is restored in accordance with Township zoning regulations.

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township'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.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. 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 the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established 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 Township Fiscal Officer. 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 certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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 the Township during the year.

E. Cash and Investments

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. 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 negative receipts, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

During 2006, the Township invested in nonnegotiable certificates of deposit and a high yield business savings account. The nonnegotiable certificates of deposit and savings account are reported at cost.

Interest earnings are allocated to Township funds according to State statutes and grant requirements. Interest receipts credited to the General Fund during 2006 was \$19,799 which includes \$8,120 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township had no restricted assets at December 31, 2006.

G. Inventory and Prepaid Items

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

H. 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.

I. 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 Township's cash basis of accounting.

All full-time employees who work an 80 hour pay period earn sick leave at the rate of 4.8 hours per pay period, and is compensated at their regular rate for sick leave used when absent due to illness. An employee who retires and meets the age and length of service requirements of the Ohio Public Employees Retirement System (OPERS) and who was also in service in the Township for a period of ten (10) continuous years prior to retirement may redeem 25% of their accumulated sick leave with a maximum cash out of 240 hours.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

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

Note 3 –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, Gasoline Tax Fund and Police District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$365 for the General Fund, \$116 for the Gasoline Tax Fund and \$810 for the Police District Fund at December 31, 2006.

Note 4 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township 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 the Trustees have 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 Township 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;

Note 4 - Deposits and Investments (continued)

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 2 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).

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 Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006, \$565,117 of the Township's bank balance of \$665,117 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 Township's name.

The Township has no deposit policy for custodial credit 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 with the Township 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 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.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Smith Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Property Taxes(Continued)

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien on December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2006 was \$12.8 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$46,182,950
Public Utility Property	7,987,710
Tangible Personal Property	5,437,204
Total Assessed Values	\$59,607,864

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

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with Love Insurance Company for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Love Insurance Company	Commercial Property	\$5,000,000
	General Liability	3,000,000
	Commercial Crime	5,000
	Inland Marine	300,000
	Vehicle	3,000,000
Insurance Company 2	Errors and Omissions	3,000,000
Insurance Company 3	Public Officials	3,000,000
Federal Deposit Insurance Corp	Fidelity and Deposit	250,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that 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.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$79,976, \$81,996, and \$82,602 respectively; 100% percent has been contributed for 2006, 2005 and 2004.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided 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.

Note 8 - Postemployment Benefits (Continued)

The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2006, local government employers contributed 13.7 percent of covered payroll; 16.93 percent for public safety and law enforcement. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 4.5 percent.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2006, 2005, and 2004 were \$20,338, \$19,030, and \$22,080 respectively; 100 percent has been contributed for 2006, 2005 and 2004.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

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Mary Taylor, CPA

Auditor of State

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

Smith Township
Mahoning County
846 N. Johnson Road
Sebring, Ohio 44762

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smith Township, Mahoning County, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated November 30 2008, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 Township'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 intend this report solely for the information and use of the management and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 30, 2008



Mary Taylor, CPA
Auditor of State

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
DECEMBER 31, 2008