

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2001 and 2000

EARL E. BRIDENSTINE, CLERK/TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Mayor and Members of Council
Village of Smithville

We have reviewed the Independent Auditor's Report of the Village of Smithville, Wayne County, prepared by Trimble, Julian & Grube, Inc. for the audit period January 1, 2000 through December 31, 2001. 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.

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 black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 25, 2002

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

Members of Council and Mayor
Village of Smithville
207 W. Main Street, Box 517
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, 2001 and 2000. These financial statements are the responsibility of the Village of Smithville'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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Village of Smithville prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting 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 combined cash balances and fund balances of the Village of Smithville, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2002 on our consideration of the Village of Smithville'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.

This report is intended solely for the information and use of the Village of Smithville's management 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.

Trimble, Julian & Grube, Inc.
March 14, 2002

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES -
ALL FUND TYPES
DECEMBER 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>Cash and Cash Equivalents</u>		
Cash & Cash Equivalents	\$ 1,114,245	\$ 995,616
Total Cash and Cash Equivalents	<u>\$ 1,114,245</u>	<u>\$ 995,616</u>
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 245,030	\$ 162,620
Special Revenue Funds	98,260	117,752
Debt Service Funds	1,047	-
Capital Project Funds	<u>23,192</u>	<u>62,777</u>
Total Governmental Fund Types	<u>367,529</u>	<u>343,149</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	<u>600,191</u>	<u>501,335</u>
 <u>Fiduciary Fund Types:</u>		
Expendable Trust Fund	145,588	151,097
Agency Fund	<u>937</u>	<u>35</u>
Total Fiduciary Fund Types	<u>146,525</u>	<u>151,132</u>
Total Fund Balances	<u>\$ 1,114,245</u>	<u>\$ 995,616</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash receipts:						
Property and other local taxes	\$ 55,913	\$ -	\$ -	\$ -	\$ 268,904	\$ 324,817
Intergovernmental	75,367	52,617	-	35,400	-	163,384
Special assessments	59	-	-	-	-	59
Charges for services	79,267	10,242	-	-	-	89,509
Fines, licenses and permits	23,919	2,199	-	-	-	26,118
Interest	13,978	512	-	-	-	14,490
Donations	25,644	4,082	-	-	-	29,726
Miscellaneous	3,504	-	-	-	-	3,504
Total cash receipts	<u>277,651</u>	<u>69,652</u>	<u>-</u>	<u>35,400</u>	<u>268,904</u>	<u>651,607</u>
Cash disbursements:						
Current:						
Security of persons and property	292,823	11,681	-	-	-	304,504
Public health services	5,487	-	-	-	-	5,487
Leisure time activities	21,853	-	-	-	-	21,853
Community environment	751	85	-	-	-	836
Basic utility services	454	-	-	-	-	454
Transportation	-	42,655	-	-	-	42,655
General government	123,870	-	-	-	20,453	144,323
Capital outlay	-	38,783	-	104,065	-	142,848
Debt service:						
Principal retirement	-	-	83,053	-	-	83,053
Interest charges	-	-	26,918	-	-	26,918
Total cash disbursements	<u>445,238</u>	<u>93,204</u>	<u>109,971</u>	<u>104,065</u>	<u>20,453</u>	<u>772,931</u>
Total cash receipts over/(under) cash disbursements	<u>(167,587)</u>	<u>(23,552)</u>	<u>(109,971)</u>	<u>(68,665)</u>	<u>248,451</u>	<u>(121,324)</u>
Other financing sources/(uses):						
Reimbursements	20,226	4,406	-	-	-	24,632
Proceeds of notes	-	-	-	29,080	-	29,080
Transfers-in	248,230	-	111,018	-	-	359,248
Transfers-out	(18,459)	-	-	-	(250,000)	(268,459)
Other uses	-	(346)	-	-	(3,960)	(4,306)
Total other financing sources/(uses)	<u>249,997</u>	<u>4,060</u>	<u>111,018</u>	<u>29,080</u>	<u>(253,960)</u>	<u>140,195</u>
Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing sources/(uses)	82,410	(19,492)	1,047	(39,585)	(5,509)	18,871
Cash fund balances, January 1, 2001	<u>162,620</u>	<u>117,752</u>	<u>-</u>	<u>62,777</u>	<u>151,097</u>	<u>494,246</u>
Cash fund balances, December 31, 2001	<u>\$ 245,030</u>	<u>\$ 98,260</u>	<u>\$ 1,047</u>	<u>\$ 23,192</u>	<u>\$ 145,588</u>	<u>\$ 513,117</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 366,842	\$ -	\$ 366,842
Miscellaneous	10,357	-	10,357
Total operating cash receipts	<u>377,199</u>	<u>-</u>	<u>377,199</u>
Operating cash disbursements:			
Personal services	108,904	-	108,904
Contractual services	37,549	-	37,549
Supplies and materials	3,650	-	3,650
Capital Outlay	58,541	-	58,541
Total operating cash disbursements	<u>208,644</u>	<u>-</u>	<u>208,644</u>
Operating income	<u>168,555</u>	<u>-</u>	<u>168,555</u>
Nonoperating cash receipts:			
Fines collected	-	35,059	35,059
Interest receipts	21,264	-	21,264
Total nonoperating cash receipts	<u>21,264</u>	<u>35,059</u>	<u>56,323</u>
Nonoperating cash disbursements:			
Other disbursements	174	-	174
Fines disbursed	-	34,157	34,157
Total nonoperating cash disbursements	<u>174</u>	<u>34,157</u>	<u>34,331</u>
Net of cash receipts over cash disbursements before transfer out	189,645	902	190,547
Transfers-out	<u>(90,789)</u>	<u>-</u>	<u>(90,789)</u>
Net cash receipts over cash disbursements after transfer out	<u>98,856</u>	<u>902</u>	<u>99,758</u>
Cash fund balances, January 1, 2001	501,335	35	501,370
Cash fund balances, December 31, 2001	<u>\$ 600,191</u>	<u>\$ 937</u>	<u>\$ 601,128</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2001

Fund Types	Receipts				Disbursements						Variance Favorable (Unfavorable)	
	County Certified Unumbered Cash	Budget	Estimated Resources	Actual 2001 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2001 Appropriations	Total	Actual 2001 Disbursements	Encumbrances Outstanding at 12/31/01		Total
Governmental:												
General	\$ 155,233	\$ 557,878	\$ 713,111	\$ 546,107	\$ (11,771)	\$ 7,387	\$ 572,351	\$ 579,738	\$ 463,697	\$ 21,393	\$ 485,090	\$ 94,648
Special Revenue	103,660	74,058	177,718	74,058	-	14,092	168,427	182,519	93,550	6,660	100,210	82,309
Debt Service	-	111,018	111,018	111,018	-	-	123,241	123,241	109,971	-	109,971	13,270
Capital Projects	62,777	89,965	152,742	64,480	(25,485)	-	138,165	138,165	104,065	-	104,065	34,100
Proprietary:												
Enterprise	499,827	412,000	911,827	398,463	(13,537)	1,508	382,229	383,737	299,607	21,274	320,881	62,856
Fiduciary:												
Expendable Trust	150,864	-	150,864	268,904	268,904	233	279,480	279,713	274,413	204	274,617	5,096
Total (Memorandum Only)	\$ 972,361	\$ 1,244,919	\$ 2,217,280	\$ 1,463,030	\$ 218,111	\$ 23,220	\$ 1,663,893	\$ 1,687,113	\$ 1,345,303	\$ 49,531	\$ 1,394,834	\$ 292,279

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash receipts:						
Property and other local taxes	\$ 59,056	\$ -	\$ -	\$ -	\$ 254,450	\$ 313,506
Intergovernmental	185,962	65,535	-	347,905	-	599,402
Charges for services	79,676	13,346	-	-	-	93,022
Fines, licenses and permits	18,766	1,768	-	-	-	20,534
Interest	13,858	660	-	-	-	14,518
Miscellaneous	8,566	2,854	-	-	-	11,420
Total cash receipts	<u>365,884</u>	<u>84,163</u>	<u>-</u>	<u>347,905</u>	<u>254,450</u>	<u>1,052,402</u>
Cash disbursements:						
Current:						
Security of persons and property	253,143	46,353	-	-	-	299,496
Public health services	5,248	-	-	-	-	5,248
Leisure time activities	17,837	-	-	-	-	17,837
Community environment	2,135	1,973	-	-	-	4,108
Basic utility services	1,387	-	-	-	-	1,387
Transportation	-	36,638	-	-	17,911	54,549
General government	84,616	-	-	-	-	84,616
Capital outlay	185,485	11,800	-	659,359	-	856,644
Debt service:						
Principal retirement	-	-	66,582	-	-	66,582
Interest charges	-	-	28,388	-	-	28,388
Total cash disbursements	<u>549,851</u>	<u>96,764</u>	<u>94,970</u>	<u>659,359</u>	<u>17,911</u>	<u>1,418,855</u>
Total cash receipts over/(under) cash disbursements	<u>(183,967)</u>	<u>(12,601)</u>	<u>(94,970)</u>	<u>(311,454)</u>	<u>236,539</u>	<u>(366,453)</u>
Other financing sources/(uses):						
Proceeds of notes	-	-	-	360,068	-	360,068
Transfers-in	192,000	31,942	94,970	14,163	-	333,075
Transfers-out	(50,400)	-	-	-	(220,000)	(270,400)
Other uses	-	-	-	-	(3,749)	(3,749)
Total other financing sources/(uses)	<u>141,600</u>	<u>31,942</u>	<u>94,970</u>	<u>374,231</u>	<u>(223,749)</u>	<u>418,994</u>
Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing receipts/(uses)	(42,367)	19,341	-	62,777	12,790	52,541
Cash fund balances, January 1, 2000	<u>204,987</u>	<u>98,411</u>	<u>-</u>	<u>-</u>	<u>138,307</u>	<u>441,705</u>
Cash fund balances, December 31, 2000	<u>\$ 162,620</u>	<u>\$ 117,752</u>	<u>\$ -</u>	<u>\$ 62,777</u>	<u>\$ 151,097</u>	<u>\$ 494,246</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 339,218	\$ -	\$ 339,218
Miscellaneous	8,908	-	8,908
Total operating cash receipts	<u>348,126</u>	<u>-</u>	<u>348,126</u>
Operating cash disbursements:			
Personal services	105,594	-	105,594
Contractual services	36,548	-	36,548
Supplies and materials	51,110	-	51,110
Capital outlay	309,244	-	309,244
Total operating cash disbursements	<u>502,496</u>	<u>-</u>	<u>502,496</u>
Operating income (loss)	<u>(154,370)</u>	<u>-</u>	<u>(154,370)</u>
Nonoperating cash receipts:			
Fines collected	-	27,013	27,013
Interest receipts	30,619	-	30,619
Total nonoperating cash receipts	<u>30,619</u>	<u>27,013</u>	<u>57,632</u>
Nonoperating cash disbursements:			
Other disbursements	1,132	-	1,132
Fines disbursed	-	27,013	27,013
Total nonoperating cash disbursements	<u>1,132</u>	<u>27,013</u>	<u>28,145</u>
Net of cash receipts over/(under) cash disbursements before interfund transfers	<u>(124,883)</u>	<u>-</u>	<u>(124,883)</u>
Transfers in/(out)			
Transfers-in	13,836	-	13,836
Transfers-out	(76,511)	-	(76,511)
Total transfers-in/(out)	<u>(62,675)</u>	<u>-</u>	<u>(62,675)</u>
Net cash receipts over/(under) cash disbursements after interfund transfers	(187,558)	-	(187,558)
Cash fund balances, January 1, 2000	<u>688,893</u>	<u>35</u>	<u>688,928</u>
Cash fund balances, December 31, 2000	<u>\$ 501,335</u>	<u>\$ 35</u>	<u>\$ 501,370</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2000 Receipts	Variance Favorable (Unfavorable)	(Restated) Prior Year Carryover Appropriations	2000 Appropriations	Total		Actual 2000 Disbursements	Encumbrances Outstanding at 12/31/00	Total
Governmental:												
General	\$ 200,014	\$ 557,390	\$ 757,404	\$ 557,884	\$ 494	\$ 4,973	\$ 717,729	\$ 722,702	\$ 600,251	\$ 7,387	\$ 607,638	\$ 115,064
Special Revenue	95,893	116,105	211,998	116,105	-	2,518	193,318	195,836	96,764	14,092	110,856	84,980
Debt Service	-	94,970	94,970	94,970	-	-	99,367	99,367	94,970	-	94,970	4,397
Capital Projects	-	1,016,124	1,016,124	722,136	(293,988)	-	946,124	946,124	659,359	-	659,359	286,765
Proprietary:												
Enterprise	603,346	407,582	1,010,928	392,581	(15,001)	85,547	657,257	742,804	580,139	1,508	581,647	161,157
Fiduciary:												
Expendable Trust	138,222	254,450	392,672	254,450	-	85	251,440	251,525	241,660	233	241,893	9,632
Total (Memorandum Only)	\$ 1,037,475	\$ 2,446,621	\$ 3,484,096	\$ 2,138,126	\$ (308,495)	\$ 93,123	\$ 2,865,235	\$ 2,958,358	\$ 2,273,143	\$ 23,220	\$ 2,296,363	\$ 661,995

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Smithville (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: emergency medical, fire and police protection, water and sewer utility services, street maintenance and repair, planning and zoning, parks and recreation, mayor's court, as well as other services.

Management believes the financial statements included in this report represent all of the funds over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Village had the following significant special revenue funds:

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village State Highways.

Debt Service Funds

The debt service funds are used to accumulate resources for the payment of bonds and note indebtedness.

The Village had the following significant debt service funds:

Ohio Public Works Commission (OPWC) - Issue 2 Fund - This fund is used to retire OPWC loan debt requirements.

Ohio Water Development Authority (OWDA) - EPA Fund - This fund is used to retire OWDA loan debt requirements.

Capital Projects Funds

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The Village had the following significant capital projects funds:

OPWC - Issue 2 Fund - This fund receives grant proceeds from OPWC for various Village projects.

OWDA - EPA Fund - This fund receives grant proceeds from OWDA for various Village projects.

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUND:

Enterprise Funds

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

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

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

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Income Tax Fund - (Expendable Trust Fund) - This fund receives monies from the Village income tax to be used for operations at the discretion of the Village council.

Mayors' Court - (Agency Fund) - This fund receives monies from collections or fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

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).

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during 2001 and 2000.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. Prior year encumbrance carryover has been restated at December 31, 1999 to properly reflect amounts encumbered. The Village had outstanding encumbrances at December 31, 2001 and 2000.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the treasurer is credited to the General Fund and allocated amongst funds as required. Interest income earned and received by the Village totaled \$35,754 and \$45,137, for the years ended December 31, 2001 and 2000, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 3 - COMPLIANCE

The following funds had appropriations in excess of estimated resources for the years ended December 31, 2001 and 2000 in noncompliance with Ohio Revised Code Section 5705.39:

<u>2001:</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Fund Type/Fund</u>			
<u>Special Revenue Funds:</u>			
EMT Fund	\$ 56,434	\$ 59,000	\$ 2,566
Holiday decorations	770	777	7
<u>Debt Service Fund</u>			
OPWC	7,459	19,778	12,319
<u>Expendable Trust Fund:</u>			
Income tax	150,864	279,480	128,616
<u>2000:</u>			
<u>Fund Type/Fund</u>			
<u>Debt Service Fund:</u>			
Summit Water Line	3,729	8,126	4,397
<u>Enterprise Fund:</u>			
Water	368,280	466,892	98,612

The following funds had expenditures in excess of appropriations for the years ended December 31, 2001 and 2000 in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>2001:</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Fund Type/Fund/Item</u>			
<u>Special Revenue Fund:</u>			
<u>Fire Donation</u>			
Supplies and Materials	\$ 4,000	\$ 7,707	\$ 3,707
<u>2000:</u>			
<u>General Fund:</u>			
Firefighting/Capital Outlay	71,271	185,485	114,214
Mayor & Administration	350	649	299
<u>Enterprise Fund:</u>			
<u>Water</u>			
Supply: Capital Outlay	135,000	233,322	98,322
Water Refunds: Other	1,100	1,132	32

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 419,245	\$300,616
Certificates of Deposits	<u>695,000</u>	<u>695,000</u>
Total Deposits	<u><u>\$1,114,245</u></u>	<u><u>\$995,616</u></u>

Deposits: Deposits are either (1) insured by Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2001, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2001</u>
1998 loan with Ohio Public Works Commission (OPWC) for wastewater treatment plant improvements due in semi-annual installments of \$13,822 through 2008, bearing interest at 0%. (CP907)	\$ 165,856
1997 loan with Ohio Water Development Authority (OWDA), due in semi-annual installments of \$22,568 through 2017, bearing interest at 3.16%. (341SRF)	535,908
1996 note with First National Bank, for land and building renovations dated December 5, 1996, due in monthly installments of \$1,538 through 2011, bearing interest at 6.7%.	134,246
2000 loan with OPWC for Main Street Water Main Improvements, due in semi-annual installments of \$5,272 through 2021, bearing interest of 0%. (CP26C)	200,346
2000 loan with OPWC for Summit Street Water Main Improvements, due in semi-annual installments of \$3,729 through 2020, bearing interest of 0%. (CP11B)	137,991
2001 loan with OPWC for Main and Dan Streets Culver Replacement, due in semi-annual installments of \$727 through 2021, bearing interest of 0%. (CP26D)	<u>28,353</u>
Total debt obligations at December 31, 2001	<u><u>\$1,202,700</u></u>

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2001 and 2000 are summarized as follows:

	<u>Balance at</u> <u>December 31, 2000</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at</u> <u>December 31, 2001</u>
<u>2001</u>				
<u>Description</u>				
OPWC-CP907	\$ 193,503	\$ -	\$27,647	\$ 165,856
OWDA-341SRF	563,455	-	27,547	535,908
Mortgage Note	143,376	-	9,130	134,246
OPWC-CP26C	210,890	-	10,544	200,346
OPWC-CP11B	145,449	-	7,458	137,991
OPWC-CP26D	<u>-</u>	<u>29,080</u>	<u>727</u>	<u>28,353</u>
Total	<u>\$1,256,673</u>	<u>\$29,080</u>	<u>\$83,053</u>	<u>\$1,202,700</u>
	<u>Balance at</u> <u>December 31, 1999</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at</u> <u>December 31, 2000</u>
<u>2000</u>				
<u>Description</u>				
OPWC-CP907	\$221,147	\$ -	\$27,644	\$ 193,503
OWDA341SRF	590,152	-	26,697	563,455
Mortgage Note	151,888	-	8,512	143,376
OPWC-CP26C	-	210,890	-	210,890
OPWC-CP11B	<u>-</u>	<u>149,178</u>	<u>3,729</u>	<u>145,449</u>
Total	<u>\$963,187</u>	<u>\$360,068</u>	<u>\$66,582</u>	<u>\$1,256,673</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2001, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>OPWC</u>	<u>OWDA</u>		<u>Mortgage Note</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 23,550	\$ 14,101	\$ 8,467	\$ 9,761	\$ 8,695
2003	47,100	28,874	16,262	10,436	8,020
2004	47,100	29,794	15,342	11,135	7,321
2005	47,100	30,743	14,393	11,926	6,530
2006	47,100	31,722	13,414	12,750	5,706
2007 - 2011	138,738	174,423	51,257	78,238	14,042
2012 - 2016	97,280	204,028	21,652	-	-
2017 - 2021	<u>84,578</u>	<u>22,223</u>	<u>345</u>	-	-
Totals	<u>\$532,546</u>	<u>\$535,908</u>	<u>\$141,132</u>	<u>\$134,246</u>	<u>\$50,314</u>

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village. 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 annually. However, if the property owner elects, they may make semiannual payments.

Public utilities are also taxed on personal and real property located within the Village.

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.

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 1% 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 in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are credited to the Village and amounted to \$268,904 and \$254,450 in 2001 and 2000, respectively. Effective January 1, 2002, the Village increased the levied tax rate from 1% to 1½%.

NOTE 8 - RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police & Fire Pension Funds (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 8 - RETIREMENT SYSTEMS - (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. As of December 31, 2001, the Village's unpaid portion for OP&F and PERS was \$3,794 and \$3,054, respectively for the year ended.

NOTE 9 - RISK MANAGEMENT

In 2001 and 2000, the Village has obtained commercial insurance for the following risks:

- Buildings and contents
- Vehicles
- Inland marine
- Public official's liability

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

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in any litigation.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council
Village of Smithville
207 W. Main St., Box 517
Smithville, Ohio 44677

We have audited the financial statements of the Village of Smithville as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated March 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of Smithville'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-VS-001 and 2001-VS-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated March 14, 2002.

Members of Council
Village of Smithville

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Smithville'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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village in a separate letter dated March 14, 2002.

This report is intended for the information of the Council and management of the Village of Smithville and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
March 14, 2002

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
DECEMBER 31, 2001 AND 2000**

SCHEDULE OF FINDINGS

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

Finding Number	2001-VS-001
----------------	-------------

Ohio Revised Code Section 5705.39 in part requires that appropriation from each fund should not exceed estimated resources.

It was noted during the audit for the year ended December 31, 2001, that appropriations exceeded estimated resources in the following funds:

<u>2001:</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Fund Type/Fund</u>			
<u>Special Revenue Funds:</u>			
EMT Fund	\$ 56,434	\$ 59,000	\$ 2,566
Holiday decorations	770	777	7
<u>Debt Service Fund</u>			
OPWC	7,459	19,778	12,319
<u>Expendable Trust Fund:</u>			
Income tax	150,864	279,480	128,616
 <u>2000:</u>			
<u>Fund Type/Fund</u>			
<u>Debt Service Fund:</u>			
Summit Water Line	3,729	8,126	4,397
<u>Enterprise Fund:</u>			
Water	368,280	466,892	98,612

With appropriations exceeding estimated resources, the Village is spending monies that are not lawfully appropriated for those purposes and thus cause a fund deficit.

We recommend that the Village comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records. If it is determined that estimated resources will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
DECEMBER 31, 2001 AND 2000**

SCHEDULE OF FINDINGS

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2000-VS-002
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Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

It was noted during the audit that for the years ended December 31, 2001 and 2000, the Village had expenditures in excess of appropriations in the following funds:

2001:	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Fund Type/Fund/Item</u>			
<u>Special Revenue:</u>			
<u>Fire Donation</u>			
Supplies and Materials	\$ 4,000	\$ 7,707	\$ 3,707
 2000:			
<u>Fund Type/Fund/Item</u>			
<u>General Fund:</u>			
Firefighting/Capital Outlay	71,271	185,485	114,214
Mayor & Administration	350	649	299
 <u>Enterprise Fund:</u>			
<u>Water</u>			
Supply: Capital Outlay	135,000	233,322	98,322
Water Refunds: Other	1,100	1,132	32

With expenditures exceeding appropriations, the Village is spending monies that are not lawfully appropriated and certified.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by more frequently comparing actual expenditures to appropriations at the item level to avoid potential overspending.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
DECEMBER 31, 2001 AND 2000**

STATUS OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-85411005-001 1998-85411005-001	5705.39 - Appropriations exceeding resources	No	The Village is attempting to monitor and modify its appropriations within its certified resources.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 16, 2002**