



**SMITH TOWNSHIP
MAHONING COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2019 - 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
Smith Township
846 North Johnson Road
Sebring, Ohio 44672

We have reviewed the *Independent Auditor's Report* of Smith Township, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. 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. Smith Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 05, 2021

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**SMITH TOWNSHIP
MAHONING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

January 31, 2021

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Smith Township**, Mahoning County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Smith Township, Mahoning County as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council. We did not modify our opinion regarding the matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**Smith Township
Mahoning County**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 76,202	\$ 548,779	\$ -	\$ 624,981
Licenses, Permits and Fees	19,939	393	-	20,332
Fines and Forfeitures	-	26,828	-	26,828
Intergovernmental	38,242	156,783	-	195,025
Earnings on Investments	1,630	384	1	2,015
Miscellaneous	3,245	8,366	-	11,611
<i>Total Cash Receipts</i>	<u>139,258</u>	<u>741,533</u>	<u>1</u>	<u>880,792</u>
Cash Disbursements				
Current:				
General Government	148,815	1,484	-	150,299
Public Safety	-	474,599	-	474,599
Public Works	-	176,492	-	176,492
Health	2,338	-	-	2,338
Human Services	-	2,270	-	2,270
Conservation-Recreation	10	-	-	10
Other	-	274	-	274
Capital Outlay	-	119,077	-	119,077
Debt Service:				
Principal Retirement	-	16,093	-	16,093
<i>Total Cash Disbursements</i>	<u>151,163</u>	<u>790,289</u>	<u>-</u>	<u>941,452</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,905)</u>	<u>(48,756)</u>	<u>1</u>	<u>(60,660)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	73,488	-	73,488
Advances In	60,000	60,000	-	120,000
Advances Out	(60,000)	(60,000)	-	(120,000)
Other Financing Sources	100	-	-	100
Other Financing Uses	(100)	-	-	(100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>73,488</u>	<u>-</u>	<u>73,488</u>
<i>Net Change in Fund Cash Balances</i>	(11,905)	24,732	1	12,828
<i>Fund Cash Balances, January 1</i>	<u>191,204</u>	<u>265,716</u>	<u>121</u>	<u>457,041</u>
Fund Cash Balances, December 31				
Restricted	-	260,560	122	260,682
Committed	-	29,888	-	29,888
Assigned	129,279	-	-	129,279
Unassigned (Deficit)	50,020	-	-	50,020
<i>Fund Cash Balances, December 31</i>	<u>\$ 179,299</u>	<u>\$ 290,448</u>	<u>\$ 122</u>	<u>\$ 469,869</u>

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Smith Township, Mahoning County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police protection, fire protection and emergency medical services. The Township contracts with the Village of Sebring and the Village of Beloit to provide fire services.

Public Entity Risk Pools

The Township participates in public entity risk pool for insurance purposes. OTARMA is the Township's insurance carrier. The management pool is through OTARMA, and is associated with a related organization. Note 6 to the financial statements provides additional information for this entity. 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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Police Fund The Police Fund accounts for and reports all revenues and expenditures of the Police Fund. The main source of revenue is derived from property tax levies.

Fire Fund The Fire Fund accounts for and reports all revenues and expenditures of the Fire Fund. The main source of revenue is derived from property tax levies.

Road and Bridge Fund The Road and Bridge Fund accounts for and reports all revenues and expenditures of the Road and Bridge Fund. The main source of revenue is derived from inside property tax millage. Smith Township does not have a road levy.

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Special Revenue Funds (Continued)

Motor Vehicle License Tax Fund The Motor Vehicle License Tax Fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Permissive Motor Vehicle License Tax Fund The Permissive Motor Vehicle License Tax Fund accounts for and reports permissive (township-levied) vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Recycling Fund The Recycling Fund accounts for and reports all revenues and expenditures of the Recycling Fund. The main source of revenue is derived from the site rental received from Mahoning County.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Ohio Public Works Commission – W. Pine Lake Road Upgrade, Phase 1 The Township received a grant from the State for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes a checking account and sweep account at Farmers' National Bank.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2019, follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 124,616	\$ 139,358	\$ 14,742
Special Revenue	686,116	815,021	128,905
Capital Projects	0	1	1
Total	\$ 810,732	\$ 954,380	\$ 143,648

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 224,309	\$ 195,575	\$ 28,734
Special Revenue	808,049	805,421	2,628
Total	\$ 1,032,358	\$ 1,000,996	\$ 31,362

The figures in the above table do not include 2019 Advances in the amount of \$120,000. The advanced amounts were temporary in nature for cash flow purposes and were paid back during 2019.

NOTE 4 – DEPOSITS

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of deposits at December 31, 2019 was as follows:

	2019
Demand deposits	\$ 469,869
Total deposits	\$ 469,869

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 5 – PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead exemption credits and rollback deductions. The financial statements include these credits and deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

NOTE 6 – RISK MANAGEMENT

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability;
- Cyber;
- Law enforcement liability;
- Automobile liability;
- Vehicles;
- Property; and
- Equipment breakdown.

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

All except two of the Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

Two of the Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

NOTE 8 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

NOTE 9 – DEBT

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck	<u>\$57,395</u>	4.65%
Total	<u><u>\$57,395</u></u>	

Leases

The Township issued debt in 2019 for the purchase of a Ford 2019 F-550 dump truck. The dump truck was purchased through Lease/Purchase and will be paid for out of the Road and Bridge Fund. No new taxes were levied to make this purchase.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 9 – DEBT (CONTINUED)

Leases (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Dump Truck
2020	\$16,092
2021	16,093
2022	16,092
2023	16,093
Total	<u>\$64,370</u>

NOTE 10 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

Smith Township received approval of a grant from the Ohio Public Works Commission in 2019 for a project entitled W. Pine Lake Road Safety Upgrades – Phase II. The total project cost was estimated at \$89,060. The grant from OPWC was in the amount of \$74,810, leaving \$14,250 as the Township's commitment. This project should be done in 2020, which is when the Township will need to expend those funds from the various road funds.

NOTE 11 – PUBLIC ENTITY RISK POOL

The Township participates in the Ohio Township Association Group Rating Program with third party administrator CareWorksComp, located in Dublin, Ohio, for worker's compensation. Premiums are paid directly to Workers' Compensation.

NOTE 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Smith Township
Mahoning County**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 71,458	\$ 526,091	\$ -	\$ 597,549
Licenses, Permits and Fees	17,042	470	-	17,512
Fines and Forfeitures	-	30,728	-	30,728
Intergovernmental	39,562	160,460	43,661	243,683
Earnings on Investments	960	152	-	1,112
Miscellaneous	4,027	2,841	-	6,868
<i>Total Cash Receipts</i>	<u>133,049</u>	<u>720,742</u>	<u>43,661</u>	<u>897,452</u>
Cash Disbursements				
Current:				
General Government	146,410	-	-	146,410
Public Safety	-	434,664	-	434,664
Public Works	-	166,547	-	166,547
Health	18,917	-	-	18,917
Capital Outlay	-	42,451	43,661	86,112
<i>Total Cash Disbursements</i>	<u>165,327</u>	<u>643,662</u>	<u>43,661</u>	<u>852,650</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,278)</u>	<u>77,080</u>	<u>-</u>	<u>44,802</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(100)	-	-	(100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>(100)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(32,378)</u>	<u>77,080</u>	<u>-</u>	<u>44,702</u>
<i>Fund Cash Balances, January 1</i>	<u>223,582</u>	<u>188,636</u>	<u>121</u>	<u>412,339</u>
Fund Cash Balances, December 31				
Restricted	-	221,972	121	222,093
Committed	-	43,744	-	43,744
Assigned	99,693	-	-	99,693
Unassigned (Deficit)	91,511	-	-	91,511
<i>Fund Cash Balances, December 31</i>	<u>\$ 191,204</u>	<u>\$ 265,716</u>	<u>\$ 121</u>	<u>\$ 457,041</u>

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – REPORTING ENTITY

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Public Entity Risk Pools

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

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Road and Bridge Fund The Road and Bridge Fund accounts for and reports all revenues and expenditures of the Road and Bridge Fund. The main source of revenue is derived from inside property tax millage. Smith Township does not have a road levy.

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Special Revenue Funds (Continued)

Motor Vehicle License Tax Fund The Motor Vehicle License Tax Fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Permissive Motor Vehicle License Tax Fund The Permissive Motor Vehicle License Tax Fund accounts for and reports permissive (township-levied) vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Recycling Fund The Recycling Fund accounts for and reports all revenues and expenditures of the Recycling Fund. The main source of revenue is derived from the site rental received from Mahoning County.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Ohio Public Works Commission – W. Pine Lake Road Upgrade, Phase I The Township received a grant from the State for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes a checking account and sweep account at Farmers' National Bank.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2018, follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 125,391	\$ 133,049	\$ 7,658
Special Revenue	687,431	720,742	33,311
Capital Projects	43,661	43,661	0
Total	\$ 856,483	\$ 897,452	\$ 40,969

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 233,120	\$ 166,535	\$ 66,585
Special Revenue	744,782	645,660	99,122
Capital Projects	43,781	43,661	120
Total	\$ 1,021,683	\$ 855,856	\$ 165,827

NOTE 4 – DEPOSITS

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of deposits at December 31, 2018 was as follows:

	2018
Demand deposits	\$ 457,041
Total deposits	\$ 457,041

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE 5 – PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead exemption credits and rollback deductions. The financial statements include these credits and deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 5 – PROPERTY TAXES (CONTINUED)

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

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

NOTE 6 – RISK MANAGEMENT

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability;
- Cyber;
- Law enforcement liability;
- Automobile liability;
- Vehicles;
- Property; and
- Equipment breakdown.

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$7,874,610

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

All except two of the Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**SMITH TOWNSHIP
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Social Security

Two of the Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

NOTE 8 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

NOTE 9 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

Smith Township received approval of a grant from the Ohio Public Works Commission in 2017 for a project entitled W. Pine Lake Road Safety Upgrades – Phase I. The total project cost was estimated at \$89,060. The grant from OPWC was in the amount of \$61,450, leaving \$27,610 as the Township's commitment. This project was started in 2017, but due to weather conditions it was postponed until Spring 2018. OPWC paid \$12,681.65 in 2017 and \$43,660.73 in 2018 for a grand total of \$56,342.38. The Township paid \$5,697.55 in 2017, and \$19,615.69 in 2018. Smith Township paid a grand total of \$25,3163.24.

NOTE 10 – PUBLIC ENTITY RISK POOL

The Township participates in the Ohio Township Association Group Rating Program with third party administrator CareWorksComp, located in Dublin, Ohio, for worker's compensation. Premiums are paid directly to Workers' Compensation.

NOTE 11 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

January 31, 2021

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of **Smith Township**, Mahoning County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated January 31, 2021, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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 financial statements. However, opining 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*.

Township's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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**SMITH TOWNSHIP
MAHONING COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Posting Receipts, Disbursements and Classification of Fund Balances

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019 and 2018, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Subsequent appropriations for the General Fund were classified as Unassigned instead of Assigned in 2019 and 2018.
- Road and Bridge Fund balance constituting inside millage was classified as Restricted instead of Committed in 2019 and 2018.
- Debt proceeds and capital outlay expense was not recorded in 2019.
- Principal payment was classified as a capital outlay expenditure instead of a principal expenditure in 2019.
- A homestead/rollback receipt was incorrectly allocated in 2019, a portion should have been recorded in the General Fund rather than the Road and Bridge Fund.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassifications. The Financial Statements reflect all reclassifications.

The following error noted in the Township’s financial statements was determined to be immaterial and did not require an adjustment to properly present the Township’s financial activity:

- Intergovernmental receipts were incorrectly recorded as Property Tax receipts in the General, Road and Bridge, Police District, and Fire District Funds in 2019.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all revenues, disbursements and fund balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management’s Response – Errors that were made in 2019, could not be corrected in 2020 and was noted in the Township’s Hinkle filing.

OHIO AUDITOR OF STATE KEITH FABER



SMITH TOWNSHIP

MAHONING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/18/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov