

**VILLAGE OF SMITHVILLE**

**WAYNE COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Smithville, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 that reads "Dave Yost".

Dave Yost  
Auditor of State

October 13, 2016

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**VILLAGE OF SMITHVILLE  
WAYNE COUNTY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Village of Smithville  
Wayne County  
P.O. Box 517  
Smithville, Ohio 44677

To the Village Council:

### ***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 the Village of Smithville, Wayne County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 Village'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 Village's internal control. Accordingly, we express no 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.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village 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 Village 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***

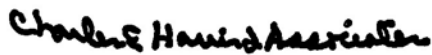
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows 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 combined cash balances of the Village of Smithville, Wayne County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
July 29, 2016

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 53,361	-	-	-	\$ 53,361
Municipal Income Tax	481,370	-	-	-	481,370
Intergovernmental	22,553	\$ 101,386	-	\$ 19,224	143,163
Charges for Services	35,917	-	-	-	35,917
Fines, Licenses and Permits	21,984	1,541	-	-	23,525
Earnings on Investments	5,442	9,042	-	-	14,484
Miscellaneous	494	-	-	132,000	132,494
<i>Total Cash Receipts</i>	<u>621,121</u>	<u>111,969</u>	<u>-</u>	<u>151,224</u>	<u>884,314</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	311,360	-	-	-	311,360
Public Health Services	5,810	-	-	-	5,810
Leisure Time Activities	31,144	-	-	105,476	136,620
Community Environment	11,012	-	-	-	11,012
Transportation	-	213,372	-	98,554	311,926
General Government	134,470	1,566	-	-	136,036
Debt Service:					
Principal Retirement	-	-	\$ 1,454	-	1,454
<i>Total Cash Disbursements</i>	<u>493,796</u>	<u>214,938</u>	<u>1,454</u>	<u>204,030</u>	<u>914,218</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	127,325	(102,969)	(1,454)	(52,806)	(29,904)
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	123,000	1,455	309,537	433,992
Transfers Out	(441,130)	(1,455)	-	-	(442,585)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(441,130)</u>	<u>121,545</u>	<u>1,455</u>	<u>309,537</u>	<u>(8,593)</u>
<i>Net Change in Fund Cash Balances</i>	(313,805)	18,576	1	256,731	(38,497)
<i>Fund Cash Balances, January 1</i>	<u>956,632</u>	<u>61,818</u>	<u>3</u>	<u>20,395</u>	<u>1,038,848</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	80,394	4	277,126	357,524
Assigned	3,990	-	-	-	3,990
Unassigned	638,837	-	-	-	638,837
<i>Fund Cash Balances, December 31</i>	<u>\$ 642,827</u>	<u>\$ 80,394</u>	<u>\$ 4</u>	<u>\$ 277,126</u>	<u>\$ 1,000,351</u>

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



**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 545,252	-	\$ 545,252
Miscellaneous	5,505	\$ 1,639	7,144
<i>Total Operating Cash Receipts</i>	550,757	1,639	552,396
<b>Operating Cash Disbursements</b>			
Personal Services	38,244	-	38,244
Fringe Benefits	14,172	-	14,172
Contractual Services	230,809	-	230,809
Supplies and Materials	140,592	-	140,592
Other	158	1,681	1,839
<i>Total Operating Cash Disbursements</i>	423,975	1,681	425,656
<i>Operating Income (Loss)</i>	126,782	(42)	126,740
<b>Non-Operating Receipts (Disbursements)</b>			
Court Collections	-	32,677	32,677
Court Disbursements	-	(31,444)	(31,444)
Capital Outlay	(10,446)	-	(10,446)
Principal Retirement	(71,435)	-	(71,435)
Interest and Other Fiscal Charges	(3,073)	-	(3,073)
<i>Total Non-Operating Receipts (Disbursements)</i>	(84,954)	1,233	(83,721)
<i>Income (Loss) Before Transfers</i>	41,828	1,191	43,019
Transfers In	8,593	-	8,593
<i>Net Income (Loss)</i>	50,421	1,191	51,612
<i>Fund Cash Balances, January 1</i>	1,397,556	2,856	1,400,412
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,447,977</u>	<u>\$ 4,047</u>	<u>\$ 1,452,024</u>

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 54,956	-	-	-	\$ 54,956
Municipal Income Tax	540,305	-	-	-	540,305
Intergovernmental	23,241	\$ 67,039	-	-	90,280
Charges for Services	36,363	-	-	-	36,363
Fines, Licenses and Permits	34,843	2,472	-	-	37,315
Earnings on Investments	9,324	-	-	-	9,324
Miscellaneous	11,729	2,768	-	-	14,497
<i>Total Cash Receipts</i>	<u>710,761</u>	<u>72,279</u>	<u>-</u>	<u>-</u>	<u>783,040</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	307,079	-	-	-	307,079
Public Health Services	5,865	-	-	-	5,865
Leisure Time Activities	46,327	-	-	-	46,327
Community Environment	21,481	-	-	-	21,481
Transportation	-	247,017	-	-	247,017
General Government	134,696	1,535	-	\$ 2,588	138,819
Debt Service:					
Principal Retirement	-	-	\$ 1,454	-	1,454
<i>Total Cash Disbursements</i>	<u>515,448</u>	<u>248,552</u>	<u>1,454</u>	<u>2,588</u>	<u>768,042</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	195,313	(176,273)	(1,454)	(2,588)	14,998
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	110,000	1,455	10,000	121,455
Transfers Out	(149,727)	(1,455)	-	-	(151,182)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(149,727)</u>	<u>108,545</u>	<u>1,455</u>	<u>10,000</u>	<u>(29,727)</u>
<i>Net Change in Fund Cash Balances</i>	45,586	(67,728)	1	7,412	(14,729)
<i>Fund Cash Balances, January 1</i>	<u>911,046</u>	<u>129,546</u>	<u>2</u>	<u>12,983</u>	<u>1,053,577</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	61,818	3	20,395	82,216
Assigned	6,629	-	-	-	6,629
Unassigned	950,003	-	-	-	950,003
<i>Fund Cash Balances, December 31</i>	<u>\$ 956,632</u>	<u>\$ 61,818</u>	<u>\$ 3</u>	<u>\$ 20,395</u>	<u>\$ 1,038,848</u>

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 522,484	-	\$ 522,484
Miscellaneous	3,185	-	3,185
<i>Total Operating Cash Receipts</i>	525,669	-	525,669
<b>Operating Cash Disbursements</b>			
Personal Services	47,704	-	47,704
Fringe Benefits	15,148	-	15,148
Contractual Services	129,344	-	129,344
Supplies and Materials	116,318	-	116,318
Other	2,789	\$ 1	2,790
<i>Total Operating Cash Disbursements</i>	311,303	1	311,304
<i>Operating Income (Loss)</i>	214,366	(1)	214,365
<b>Non-Operating Receipts (Disbursements)</b>			
Court Collections	-	46,184	46,184
Court Disbursements	-	(48,398)	(48,398)
Capital Outlay	(129,610)	-	(129,610)
Principal Retirement	(70,136)	-	(70,136)
Interest and Other Fiscal Charges	(4,372)	-	(4,372)
<i>Total Non-Operating Receipts (Disbursements)</i>	(204,118)	(2,214)	(206,332)
<i>Income (Loss) Before Transfers</i>	10,248	(2,215)	8,033
Transfers In	29,727	-	29,727
<i>Net Income (Loss)</i>	39,975	(2,215)	37,760
<i>Fund Cash Balances, January 1</i>	1,357,581	5,071	1,362,652
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,397,556</u>	<u>\$ 2,856</u>	<u>\$ 1,400,412</u>

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

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Smithville, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six member Council governs the Village. The Village provides general governmental services such as water and, sewer utilities, park operations, and police services.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is the Public Entity Risk Pool. The Village belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of the 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 Village 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.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. 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.

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Street Debt Service Fund – This fund receives a transfer from the Street Construction, Maintenance, and Repair Fund to repay debt for culvert replacement.

**4. Capital Project Funds**

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

Park Development Fund – This fund receives donations. The proceeds are being used to improve the community park.

**5. Enterprise Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

**6. Fiduciary Funds (continued)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's court fines and unclaimed funds.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village 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 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village classifies unclaimed monies as nonspendable.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (continued)**

**2. 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.

**3. Committed**

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

**4. 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. 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 Village 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.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2015	2014
Demand deposits	\$ 1,252,375	\$ 1,037,021
Certificates of deposit	1,200,000	1,402,239
Total deposits	\$ 2,452,375	\$ 2,439,260

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 681,850	\$ 621,121	\$ (60,729)
Special Revenue	227,900	234,969	7,069
Debt Service	1,455	1,455	-
Capital Projects	440,703	460,761	20,058
Enterprise	542,500	559,350	16,850
Total	\$1,894,408	\$1,877,656	(\$16,752)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$ 996,707	\$ 938,916	\$ 57,791
Special Revenue	227,546	217,366	10,180
Debt Service	1,455	1,454	1
Capital Projects	634,519	264,862	369,657
Enterprise	528,866	509,129	19,737
Total	\$ 2,389,093	\$ 1,931,727	\$ 457,366



**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**3. Budgetary Activity (continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 739,215	\$ 710,761	\$ (28,454)
Special Revenue	192,044	182,279	(9,765)
Debt Service	1,455	1,455	-
Capital Projects	10,000	10,000	-
Enterprise	555,407	555,396	(11)
Total	\$1,498,121	\$1,459,891	(\$38,230)

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 787,349	\$ 671,804	\$ 115,545
Special Revenue	252,222	250,271	1,951
Debt Service	1,455	1,454	1
Capital Projects	7,155	2,588	4,567
Enterprise	613,475	579,669	33,806
Total	\$1,661,656	\$1,505,786	\$155,870

**4. Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback 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 Village.

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (CP26D)	\$ 8,724	0.00%
Ohio Public Works Commission Loan (CP26C)	57,995	0.00%
Ohio Public Works Commission Loan (CP11B)	37,294	0.00%
Ohio Public Works Commission Loan (CP11J)	43,653	0.00%
Ohio Public Works Commission Loan (CP29M)	27,563	0.00%
Ohio Water Development Authority Loan (341 SRF)	65,621	3.16%
Total	<u>\$ 240,850</u>	

The Ohio Public Works Commission loan (CP26D) was approved up to \$29,080 for Main and Dan Street Culvert Replacements. The Village will repay the loan in semiannual installments of \$727, including interest at 0 percent through 2021.

The Ohio Public Works Commission loan (CP26C) was approved up to \$210,890 for Main Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$5,272, including interest at 0 percent through 2021.

The Ohio Public Works Commission loan (CP11B) was approved up to \$149,178 for Summit Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$3,729, including interest at 0 percent through 2020.

The Ohio Public Works Commission loan (CP11J) was approved up to \$69,846 for Center and Northeast Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$1,746, including interest at 0 percent through 2028.

The Ohio Water Development Authority (OWDA) loan (341 SRF) was approved up to \$665,406 in 1997. The Village will repay the loan in semiannual installments of \$22,568, including interest at 3.16 percent through 2017.

The prior audit report failed to include an Ohio Public Works Commission loan (CP29M). This loan was approved up to \$63,000 for the Waste Water Influent Screen Replacement. As of December 31, 2013, the outstanding principal was \$43,312. The Village will repay the loan in semiannual installments of \$3,938, including interest at 0 percent through 2019.

The Village's taxing authority collateralized the loans.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**6. Debt (continued)**

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

Year ending	OPWC Loan (CP26D)	OPWC Loan (CP26C)	OPWC Loan (CP11B)	OPWC Loan (CP11J)	OPWC Loan (CP29M)	OWDA Loan (341 SRF)
December 31:						
2016	\$ 1,454	\$ 10,545	\$ 7,459	\$ 3,492	\$ 7,875	\$ 45,137
2017	1,454	10,545	7,459	3,492	7,875	22,569
2018	1,454	10,545	7,459	3,492	7,875	-
2019	1,454	10,545	7,459	3,492	3,938	-
2020	1,454	10,545	7,458	3,492	-	-
2021-2025	1,454	5,270	-	17,461	-	-
2026-2030	-	-	-	8,732	-	-
Total	<u>\$ 8,724</u>	<u>\$ 57,995</u>	<u>\$ 37,294</u>	<u>\$ 43,653</u>	<u>\$ 27,563</u>	<u>\$ 67,706</u>

**7. Retirement Systems**

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1 to June 30, 2014, OP&F participants contributed 10.75% of covered payroll, from July 1, 2014 to July 1, 2015, OP&F participants contributed 11.50% of covered payroll and from July 1, 2015 to December 31, 2015 OP&F participants contributed 12.25%. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. For 2015 and 2014, OPERS members contributed 10% of their covered payroll and the Village contributed an amount equaling 14% of participants' covered payroll. The Village has paid all contributions required through December 31, 2015.

**8. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**Village of Smithville  
Wayne County  
Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(Continued)**

**8. Risk Management (continued)**

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$15,344	\$14,291

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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**

Village of Smithville  
Wayne County  
P.O. Box 517  
Smithville, Ohio 44677

To the Village Council:

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 the Village of Smithville, Wayne County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 29, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village'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 Village'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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2015-001 and 2015-002 to be material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 29, 2016.

**Entity's Responses to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses 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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Charles E. Harris and Associates, Inc.**  
July 29, 2016

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2015-001 – Material Weakness**

**Mayor’s Court Activity**

For 2014, the Village did not record the total activity for the Mayor’s Court on the Village’s books or financial statements. The Mayor’s Court records were kept separate from the Village’s books, and each month a check was written to the Village for its portion of the fines and fees and the State was paid for its portion of the fines and fees. This practice does not report the Village’s entire activity on the financial statements, which could result in the Mayor’s Court activity being overlooked and not being reviewed or monitored by Council.

For 2014, \$46,184 of receipts and \$48,398 of disbursements were adjusted to the Agency fund’s financial statement to reflect the Mayor’s Court Activity. For 2015, the Mayor’s Court Activity was included. However, the ending balance in the Mayor’s Court Agency Fund and Mayor’s Court bank account was not included on the final bank reconciliation or the Village’s financial statements. The financial statements were adjusted to show the year-end balance.

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General and Special Revenue Funds to clearly account for the portion of court receipts that legally belong to the Village. The fines and costs due to the state should also be recorded as disbursements from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village’s books and financial statements, and for Council to review the activity, and will help ensure more accurate financial statements.

**Official’s Response:**

Management will take the necessary action to ensure that all Mayor’s Court activity and ending balances are included on the Village’s books and financial statements.

**Finding Number: 2015-002 – Material Weakness**

**Audit Adjustments and Reclassifications**

During audit procedures performed, errors were noted in the Village’s financial statements that required audit adjustments and reclassifications as follows:

- During 2014, one Homestead and Rollback receipt was incorrectly posted as Property and Other Taxes revenue instead of Intergovernmental revenue.
- During 2014, several transfers were incorrectly posted as Miscellaneous Revenue instead of Transfers-In.
- During 2015 and 2014, OWDA debt payments were not correctly posted to Principal and Interest. While an attempt was made to separate these amounts, the breakdown of Principal versus Interest was not correct.
- During 2014, the Village misclassified the Utility Deposit fund as special revenue with a restricted fund balance instead of an enterprise fund.

VILLAGE OF SMITHVILLE  
WAYNE COUNTY

SCHEDULE OF FINDINGS – (continued)  
DECEMBER 31, 2015 AND 2014

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</p>
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**Finding Number: 2015-002 – Material Weakness - (continued)**

- During 2015, the Village misclassified the Capital Improvements – Water System fund as an enterprise fund instead of a capital projects fund with a restricted balance. The fund was created to account for funds related to the David Avenue Drainage Improvements project.
- During 2014, the Village recorded the wrong amount under Supplies and Materials in the Water Operating fund. The Village erroneously recorded \$129,859 rather than the correct amount of \$65,611.
- During 2015, the expenditures from the capital projects funds related to the park were recorded as General Government disbursements rather than Leisure Time Activities.
- During 2015 and 2014, several fund balance classifications were incorrect and were adjusted on the financial statements. For example, outstanding encumbrances in the General Fund were classified as committed instead of assigned, Debt Service fund balances were classified as unassigned instead of restricted, and Capital Project fund balances were classified as unassigned and committed, instead of restricted.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* details how funds should be classified and how fund balances should be classified within those funds. We recommend the Village review these requirements, and adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the UAN Handbook, the Village Officer's Handbook and other Auditor of State guidance to aid in properly identifying account classifications and fund balance classifications.

**Official's Response:**

Management will review GASB 54 and properly classify their funds and fund balance categories in the future. Also, we will review all transactions more thoroughly when posting. We will utilize the Village Officer's Handbook, UAN and other Auditor of State guidance when reporting.



VILLAGE OF SMITHVILLE  
WAYNE COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2015 and 2014

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Material Weakness – Mayor's Court Activity	No	Partially Corrected; Repeated as Finding 2015-001

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# Dave Yost • Auditor of State

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  
NOVEMBER 10, 2016