



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SMITHFIELD TOWNSHIP
JEFFERSON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Smithfield Township
Jefferson County
P.O. Box 36
Piney Fork, Ohio 43941

To the Board of Trustees:

We have audited the accompanying financial statements of Smithfield Township, Jefferson County (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Smithfield Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 11, 2002

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**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$17,503	\$56,354		\$73,857
Intergovernmental	49,510	82,485		131,995
Earnings on Investments	795	199		994
Other Revenue	483	7,350		7,833
	<u>68,291</u>	<u>146,388</u>		<u>214,679</u>
Total Cash Receipts				
	<u>68,291</u>	<u>146,388</u>		<u>214,679</u>
Cash Disbursements:				
Current:				
General Government	54,607			54,607
Public Safety		13,709		13,709
Public Works	12,018	122,607		134,625
Health	3,653			3,653
Conservation - Recreation	6,000			6,000
Debt Service:				
Redemption of Principal		10,230	\$277	10,507
Interest and Fiscal Charges		1,976		1,976
Capital Outlay		9,068		9,068
	<u>76,278</u>	<u>157,590</u>	<u>277</u>	<u>234,145</u>
Total Cash Disbursements				
	<u>76,278</u>	<u>157,590</u>	<u>277</u>	<u>234,145</u>
Total Receipts Over/(Under) Disbursements	<u>(7,987)</u>	<u>(11,202)</u>	<u>(277)</u>	<u>(19,466)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		9,104		9,104
Advances-In		1,402		1,402
Advances-Out	(1,402)			(1,402)
	<u>(1,402)</u>	<u>10,506</u>		<u>9,104</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(1,402)</u>	<u>10,506</u>		<u>9,104</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(9,389)</u>	<u>(696)</u>	<u>(277)</u>	<u>(10,362)</u>
Fund Cash Balances, January 1	<u>19,566</u>	<u>3,264</u>	<u>\$277</u>	<u>23,107</u>
Fund Cash Balances, December 31	<u>\$10,177</u>	<u>\$2,568</u>		<u>\$12,745</u>
Reserve for Encumbrances, December 31	<u>\$114</u>			<u>\$114</u>

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

SMITHFIELD TOWNSHIP
JEFFERSON COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$21,232	\$53,419			\$74,651
Intergovernmental	68,041	70,668			138,709
Earnings on Investments	861	314			1,175
Other Revenue	35	185			220
Total Cash Receipts	90,169	124,586			214,755
Cash Disbursements:					
Current:					
General Government	53,483				53,483
Public Safety		14,450			14,450
Public Works	14,355	108,138			122,493
Health	3,812				3,812
Conservation - Recreation	1,535				1,535
Debt Service:					
Redemption of Principal			\$7,793		7,793
Interest and Fiscal Charges			2,281		2,281
Capital Outlay		1,200		\$111	1,311
Total Cash Disbursements	73,185	123,788	10,074	111	207,158
Total Receipts Over/(Under) Disbursements	16,984	798	(10,074)	(111)	7,597
Other Financing Receipts/(Disbursements):					
Transfers-In			10,074		10,074
Transfers-Out		(10,074)			(10,074)
Total Other Financing Receipts/(Disbursements)		(10,074)	10,074		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,984	(9,276)		(111)	7,597
Fund Cash Balances, January 1	2,582	12,540	277	\$111	15,510
Fund Cash Balances, December 31	\$19,566	\$3,264	\$277		\$23,107
Reserve for Encumbrances, December 31	\$5,750	\$275			\$6,025

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

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Smithfield Township, Jefferson County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Villages of Smithfield, Dillonvale, and Adena Volunteer Fire Departments to provide fire and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

3. Debt Service Funds

The debt service funds are used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Funds:

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Truck Fund - This fund is used to accumulate funds and make payments on a loan. The loan was obtained to purchase a truck used in the repair and maintenance of Township roads.

Debt Service Building Fund - This fund is used to accumulate funds and make payments on a note. The note was taken out to purchase real estate.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Recycled Tire Project Fund - This fund is used to account for grant monies received to repair Township Roads.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments as required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH

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

	2001	2000
Demand deposits	\$12,745	\$23,107

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,317	\$68,291	(\$6,026)
Special Revenue	156,894	155,492	(1,402)
Debt Service	0	0	0
Total	\$231,211	\$223,783	(\$7,428)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,608	\$76,392	\$3,216
Special Revenue	172,448	157,590	14,858
Debt Service	277	277	0
Total	\$252,333	\$234,259	\$18,074

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,411	\$90,169	(\$2,242)
Special Revenue	115,015	124,586	9,571
Debt Service	12,315	10,074	(2,241)
Capital Projects	0	0	0
Total	\$219,741	\$224,829	\$5,088

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,387	\$78,935	\$19,452
Special Revenue	146,350	134,137	12,213
Debt Service	9,765	10,074	(309)
Capital Projects	111	111	0
Total	\$254,613	\$223,257	\$31,356

The Township did not certify all required expenditures in 2001 and 2000, contrary to Ohio Revised Code § 5705.41(D).

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$34,942	5%-6%
Total	\$34,942	

The debt includes three general obligation notes. One note was issued for the purchase of real estate and the loan is collateralized solely by the Township's taxing authority. The proceeds of another note were used for the purchase of a truck to be used for maintenance of Township roads. The note is collateralized by the Township's taxing authority and the title of the truck. The proceeds of the remaining note were used for the purchase of equipment, including a tractor, a road drag and a finish mower. The loan is collateralized by the Township's taxing authority and the titles of the equipment purchased.

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Building Note</u>	<u>Truck Loan</u>	<u>Equipment Loan</u>
2002	\$2,665	\$7,409	\$4,818
2003	0	7,409	2,409
2004	0	7,409	0
2005	0	6,174	0
Total	<u>\$2,665</u>	<u>\$28,401</u>	<u>\$7,227</u>

6. RETIREMENT SYSTEMS

All Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance coverage for full-time employees through a private carrier.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Smithfield Township
Jefferson County
P.O. Box 36
Pitney Fork, Ohio 43941

To the Board of Trustees:

We have audited the accompanying financial statements of Smithfield Township, Jefferson County (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2001-41241-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 11, 2002.

Smithfield Township
Jefferson County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 11, 2002

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-41241-001

Ohio Revised Code § 5705.41 (D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the Clerk issues a certificate, but may authorize it to be paid without the affirmation of the Board of Trustees.

Of the transactions tested, 55% of fiscal year 2001 expenditures and 47% of fiscal year 2000 expenditures were not certified by the fiscal officer and none of the above mentioned exceptions were used.

Failure to certify the availability of funds could result in overspending and negative cash balances. The Township should obtain approved purchase orders which include the fiscal officers certification that amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment. This will strengthen the control over the purchasing cycle.

**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41241-001	Expenditures were not all properly certified.	No	Not corrected, reissued as Finding #2001-41241-001



STATE OF OHIO
OFFICE OF THE AUDITOR

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SMITHFIELD TOWNSHIP

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 2, 2002**