



**SMITHFIELD TOWNSHIP
JEFFERSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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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, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards 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 the Township as of December 31, 1999 and December 31, 1998, 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 June 19, 2000 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.

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

June 19, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$18,074	\$54,852			\$72,926
Intergovernmental	48,724	120,568		\$194,002	363,294
Earnings on Investments	773	289			1,062
Other Revenue	1,000			3,600	4,600
	<u>68,571</u>	<u>175,709</u>		<u>197,602</u>	<u>441,882</u>
Cash Disbursements:					
Current:					
General Government	54,588				54,588
Public Safety		14,516			14,516
Public Works	6,307	149,180			155,487
Health	3,853				3,853
Conservation - Recreation	1,335				1,335
Debt Service:					
Redemption of Principal	6,000	15,503	\$30,034	46,382	97,919
Interest and Fiscal Charges	333	98	1,971	114	2,516
Capital Outlay		9,950		197,377	207,327
	<u>72,416</u>	<u>189,247</u>	<u>32,005</u>	<u>243,873</u>	<u>537,541</u>
Total Receipts (Under) Disbursements	<u>(3,845)</u>	<u>(13,538)</u>	<u>(32,005)</u>	<u>(46,271)</u>	<u>(95,659)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	6,000	18,330	23,461	46,382	94,173
Transfers-In			8,821		8,821
Advances-In	2,205		2,205		4,410
Transfers-Out		(8,821)			(8,821)
Advances-Out	(2,205)		(2,205)		(4,410)
	<u>6,000</u>	<u>9,509</u>	<u>32,282</u>	<u>46,382</u>	<u>94,173</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,155	(4,029)	277	111	(1,486)
Fund Cash Balances, January 1	427	16,065			16,492
Fund Cash Balances, December 31	<u>\$2,582</u>	<u>\$12,036</u>	<u>\$277</u>	<u>\$111</u>	<u>\$15,006</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$19,901	\$54,783			\$74,684
Intergovernmental	47,356	101,099			148,455
Earnings on Investments	1,096	359			1,455
Other Revenue	8,621				8,621
	76,974	156,241			233,215
Cash Disbursements:					
Current:					
General Government	61,433				61,433
Public Safety		14,259			14,259
Public Works	6,306	106,938			113,244
Health	3,449				3,449
Conservation - Recreation	5,350				5,350
Debt Service:					
Redemption of Principal	6,000	26,708	\$6,697		39,405
Interest and Fiscal Charges	158	1,159	2,124		3,441
Capital Outlay				\$23,471	23,471
	82,696	149,064	8,821	23,471	264,052
Total Cash Disbursements					
	82,696	149,064	8,821	23,471	264,052
Total Receipts Over/(Under) Disbursements	(5,722)	7,177	(8,821)	(23,471)	(30,837)
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	6,000	14,000			20,000
Transfers-In			8,821		8,821
Advances-In	2,205		2,205		4,410
Transfers-Out		(8,821)			(8,821)
Advances-Out	(2,205)		(2,205)		(4,410)
	6,000	5,179	8,821		20,000
Total Other Financing Receipts					
	6,000	5,179	8,821		20,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	278	12,356		(23,471)	(10,837)
Fund Cash Balances, January 1	149	3,709		23,471	27,329
Fund Cash Balances, December 31	\$427	\$16,065		23,471	\$16,492
Reserve for Encumbrances, December 31		\$9,950			\$9,950

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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 general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Adena, the Village of Smithfield, and the Village of Dillionvale to provide fire 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 for constructing, maintaining and repairing Township roads and bridges.

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

3. Debt Service Funds

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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 to make payments on a note. The note was taken out to purchase real estate.

4. Capital Project 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 Project Fund:

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

E. 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 required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$15,006</u>	<u>\$16,492</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,509	\$74,571	(\$938)
Special Revenue	196,127	194,039	(2,088)
Debt Service	32,282	32,282	0
Capital Projects	247,059	243,984	(3,075)
Total	\$550,977	\$544,876	(\$6,101)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,936	\$72,416	\$3,520
Special Revenue	193,094	198,068	(4,974)
Debt Service	32,282	32,005	277
Capital Projects	247,059	243,873	3,186
Total	\$548,371	\$546,362	\$2,009

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,940	\$82,974	(\$6,966)
Special Revenue	180,767	170,241	(10,526)
Debt Service	8,821	8,821	0
Capital Projects	0	0	0
Total	<u>\$279,528</u>	<u>\$262,036</u>	<u>(\$17,492)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,568	\$82,696	(\$2,128)
Special Revenue	163,270	167,835	(4,565)
Debt Service	11,026	8,821	2,205
Capital Projects	23,471	23,471	0
Total	<u>\$278,335</u>	<u>\$282,823</u>	<u>\$(4,488)</u>

The Township did not certify and encumber all expenditures as required by 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 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, 1999 was as follows:

	Principal	Interest Rate
Building Note	\$7,217	5%
Truck Loan	36,918	6%
Total	<u>\$44,135</u>	

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT (Continued)

The building note was issued to finance the purchase of real estate. The note is collateralized solely by the Township's taxing authority.

The truck loan was issued for the purpose of purchasing a truck to be used in the repair and maintenance of Township roads. The loan is collateralized by the Township's taxing authority and the truck.

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

Year ending December 31:	Building Note	Truck Loan
1999	\$2,665	\$7,409
2000	2,665	7,409
2001	2,562	7,409
2002	0	7,409
2003	0	7,409
Subsequent	0	6,192
Total	\$7,892	\$43,237

6. RETIREMENT SYSTEMS

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

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

8. COMPLIANCE

The Village did not fully comply with requirements of Ohio Revised Code Section 5705.41 (D), dealing with prior certification of expenditures for 1998 and 1999.

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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
Piney Fork, Ohio 43941

To the Board of Trustees:

We have audited the accompanying financial statements of Smithfield Township, Jefferson County, Ohio (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated June 19, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 which is described in the accompanying schedule of findings as item 1999-41241-001. We also noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 19, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 June 19, 2000.

This report is intended 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

June 19, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-41241-001
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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 that the amount required to meet the same 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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 appropriated and free of any previous encumbrances, the Trustees 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 fiscal officer may authorize it to be paid without the affirmation of the Trustees.

Thirty six percent of liabilities, contracts, and open purchase commitments greater than \$1,000 tested in 1998 and seventy three percent of those tested in 1999 were not certified by the Clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Trustees within the aforementioned 30 day time period.

All Township liabilities, contracts, and open purchase commitments should be certified and encumbered prior to making the expenditure.



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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 25, 2000