

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2003 and 2002

EARL E. BRIDENSTINE, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of Smithville
207 W. Main Street, Box 517
Smithville, Ohio 44677

We have reviewed the Independent Auditor's Report of the Village of Smithville, Wayne County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 17, 2004

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VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

Members of Council and Mayor
Village of Smithville
207 W. Main Street, Box 517
Smithville, Ohio 44677

We have audited the accompanying financial statements of the Village of Smithville (the “Village”), Wayne County, Ohio as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Village prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village of Smithville, Wayne County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
March 31, 2004

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2003 AND 2002

	2003	2002
<u>Cash and Cash Equivalents</u>		
Cash and Cash Equivalents	\$ 1,306,168	\$ 1,113,922
Total Cash and Cash Equivalents	\$ 1,306,168	\$ 1,113,922
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 448,638	\$ 383,801
Special Revenue Funds	83,087	52,537
Debt Service Funds	10,542	13,291
Total Governmental Fund Types	542,267	449,629
<u>Proprietary Fund Type:</u>		
Enterprise Funds	760,840	659,871
<u>Fiduciary Fund Type:</u>		
Agency Fund	3,061	4,422
Total Fund Balances	\$ 1,306,168	\$ 1,113,922

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Property and other local taxes	\$ 518,134	\$ -	\$ -	\$ 518,134
Intergovernmental	50,769	95,790	-	146,559
Charges for services	4,677	200	-	4,877
Fines, licenses and permits	28,222	2,668	-	30,890
Interest	2,067	197	-	2,264
Donations	-	13,763	-	13,763
Miscellaneous	<u>6,620</u>	<u>3,653</u>	<u>-</u>	<u>10,273</u>
Total cash receipts	<u>610,489</u>	<u>116,271</u>	<u>-</u>	<u>726,760</u>
Cash disbursements:				
Current:				
Security of persons and property	227,779	3,146	-	230,925
Public health services	5,442	-	-	5,442
Leisure time activities	29,640	-	-	29,640
Community environment	475	-	-	475
Transportation	-	101,691	-	101,691
General government	100,917	77	-	100,994
Capital outlay	-	54,376	-	54,376
Debt service:				
Principal retirement	-	30,000	144,782	174,782
Interest charges	<u>-</u>	<u>-</u>	<u>23,830</u>	<u>23,830</u>
Total cash disbursements	<u>364,253</u>	<u>189,290</u>	<u>168,612</u>	<u>722,155</u>
Total cash receipts over/(under) cash disbursements	<u>246,236</u>	<u>(73,019)</u>	<u>(168,612)</u>	<u>4,605</u>
Other financing receipts/(disbursements):				
Transfers in	-	105,023	165,863	270,886
Transfers out	<u>(181,399)</u>	<u>(1,454)</u>	<u>-</u>	<u>(182,853)</u>
Total other financing receipts/(disbursements)	<u>(181,399)</u>	<u>103,569</u>	<u>165,863</u>	<u>88,033</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	64,837	30,550	(2,749)	92,638
Cash fund balances, January 1, 2003	<u>383,801</u>	<u>52,537</u>	<u>13,291</u>	<u>449,629</u>
Cash fund balances, December 31, 2003	<u>\$ 448,638</u>	<u>\$ 83,087</u>	<u>\$ 10,542</u>	<u>\$ 542,267</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	Only
Operating cash receipts:			
Charges for services	\$ 404,343	\$ -	\$ 404,343
Miscellaneous	5,659	-	5,659
Total operating cash receipts	410,002	-	410,002
Operating cash disbursements:			
Personal services	126,186	-	126,186
Contractual services	33,131	-	33,131
Supplies and materials	56,821	-	56,821
Capital outlay	14,617	-	14,617
Total operating cash disbursements	230,755	-	230,755
Operating income	179,247	-	179,247
Nonoperating cash receipts cash (disbursements):			
Fines collected	-	39,649	39,649
Interest receipts	10,555	-	10,555
Fines disbursed	-	(41,010)	(41,010)
Other disbursements	(800)	-	(800)
Total nonoperating cash receipts cash (disbursements)	9,755	(1,361)	8,394
Net of cash receipts over (under) cash disbursements before interfund transfers	189,002	(1,361)	187,641
Transfers out	(88,033)	-	(88,033)
Net cash receipts over (under) cash disbursements after interfund transfers	100,969	(1,361)	99,608
Cash fund balances, January 1, 2003	659,871	4,422	664,293
Cash fund balances, December 31, 2003	\$ 760,840	\$ 3,061	\$ 763,901

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 373,930	\$ 605,920	\$ 979,850	\$ 610,489	\$ 4,569	\$ 4,519	\$ 602,229	\$ 606,748	\$ 545,652	\$ 4,541	\$ 550,193	\$ 56,555
Special Revenue	55,890	220,982	276,872	221,294	312	1,998	226,513	228,511	190,744	570	191,314	37,197
Debt Service	10,546	165,864	176,410	165,863	(1)	-	168,612	168,612	168,612	-	168,612	-
Proprietary:												
Enterprise	656,481	420,557	1,077,038	420,557	-	3,388	352,879	356,267	319,588	2,646	322,234	34,033
Total (Memorandum Only)	<u>\$ 1,096,847</u>	<u>\$ 1,413,323</u>	<u>\$ 2,510,170</u>	<u>\$ 1,418,203</u>	<u>\$ 4,880</u>	<u>\$ 9,905</u>	<u>\$ 1,350,233</u>	<u>\$ 1,360,138</u>	<u>\$ 1,224,596</u>	<u>\$ 7,757</u>	<u>\$ 1,232,353</u>	<u>\$ 127,785</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash receipts:						
Property and other local taxes	\$ 422,760	\$ -	\$ -	\$ -	\$ -	\$ 422,760
Intergovernmental	59,100	66,593	-	-	-	125,693
Special assessments	71	-	-	-	-	71
Charges for services	4,981	3,086	-	-	-	8,067
Fines, licenses and permits	37,824	3,669	-	-	-	41,493
Interest	9,439	168	-	-	-	9,607
Donations	70,000	4,096	-	-	-	74,096
Refunds	4,954	-	-	-	-	4,954
Miscellaneous	27,670	3,537	-	-	-	31,207
Total cash receipts	<u>636,799</u>	<u>81,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>717,948</u>
Cash disbursements:						
Current:						
Security of persons and property	281,100	61,573	-	-	-	342,673
Public health services	5,497	-	-	-	-	5,497
Leisure time activities	26,619	7,368	-	-	-	33,987
Community environment	3,053	-	-	-	-	3,053
Transportation	-	125,615	-	-	-	125,615
General government	130,088	-	-	-	205	130,293
Capital outlay	-	144,000	-	9,901	-	153,901
Debt service:						
Principal retirement	-	-	85,286	-	-	85,286
Interest charges	-	-	25,411	-	-	25,411
Total cash disbursements	<u>446,357</u>	<u>338,556</u>	<u>110,697</u>	<u>9,901</u>	<u>205</u>	<u>905,716</u>
Total cash receipts over/(under) cash disbursements	<u>190,442</u>	<u>(257,407)</u>	<u>(110,697)</u>	<u>(9,901)</u>	<u>(205)</u>	<u>(187,768)</u>
Other financing receipts/(disbursements):						
Proceeds of loan	30,000	-	-	-	-	30,000
Transfers in	-	212,094	122,941	-	-	335,035
Transfers out	(230,554)	(410)	-	(13,291)	-	(244,255)
Proceeds from sale of equipment	3,500	-	-	-	-	3,500
Total other financing receipts/(disbursements)	<u>(197,054)</u>	<u>211,684</u>	<u>122,941</u>	<u>(13,291)</u>	<u>-</u>	<u>124,280</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing receipts/(disbursements)	(6,612)	(45,723)	12,244	(23,192)	(205)	(63,488)
Cash fund balances, January 1, 2002	245,030	98,260	1,047	23,192	145,588	513,117
Residual equity transfer in	145,383	-	-	-	-	145,383
Residual equity transfer out	-	-	-	-	(145,383)	(145,383)
Cash fund balances, December 31, 2002	<u>\$ 383,801</u>	<u>\$ 52,537</u>	<u>\$ 13,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,629</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 399,549	\$ -	\$ 399,549
Miscellaneous	10,980	-	10,980
Total operating cash receipts	<u>410,529</u>	<u>-</u>	<u>410,529</u>
Operating cash disbursements:			
Personal services	126,481	-	126,481
Contractual services	33,632	-	33,632
Supplies and materials	51,528	-	51,528
Capital outlay	57,094	-	57,094
Total operating cash disbursements	<u>268,735</u>	<u>-</u>	<u>268,735</u>
Operating income	<u>141,794</u>	<u>-</u>	<u>141,794</u>
Nonoperating cash receipts (disbursements):			
Fines collected	-	59,378	59,378
Interest receipts	8,666	-	8,666
Fines disbursed	-	(55,893)	(55,893)
Total nonoperating cash receipts (disbursements)	<u>8,666</u>	<u>3,485</u>	<u>12,151</u>
Net of cash receipts over cash disbursements before interfund transfers	<u>150,460</u>	<u>3,485</u>	<u>153,945</u>
Transfers out	<u>(90,780)</u>	<u>-</u>	<u>(90,780)</u>
Net cash receipts over cash disbursements after interfund transfers	59,680	3,485	63,165
Cash fund balances, January 1, 2002	<u>600,191</u>	<u>937</u>	<u>601,128</u>
Cash fund balances, December 31, 2002	<u>\$ 659,871</u>	<u>\$ 4,422</u>	<u>\$ 664,293</u>

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2002 Receipts	Variance Favorable (Unfavorable)	(Restated) Prior Year Carryover Appropriations	2002 Appropriations	Total	Actual 2002 Disbursements	Encumbrances Outstanding at 12/31/02	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 245,030	\$ 831,722	\$ 1,076,752	\$ 815,682	\$ (16,040)	\$ 21,160	\$ 710,550	\$ 731,710	\$ 676,911	\$ 4,519	\$ 681,430	\$ 50,280
Special Revenue	98,260	305,084	403,344	293,243	(11,841)	60	350,173	350,233	338,966	1,998	340,964	9,269
Debt Service	1,048	109,654	110,702	122,941	13,287	-	110,697	110,697	110,697	-	110,697	-
Capital Projects	23,192	-	23,192	-	-	-	23,192	23,192	23,192	-	23,192	-
Proprietary:												
Enterprise	578,917	440,467	1,019,384	419,195	(21,272)	20,790	469,648	490,438	359,515	3,388	362,903	127,535
Fiduciary:												
Expendable	145,384	-	145,384	-	-	204	145,384	145,588	145,588	-	145,588	-
Total (Memorandum Only)	\$ 1,091,831	\$ 1,686,927	\$ 2,778,758	\$ 1,651,061	\$ (35,866)	\$ 42,214	\$ 1,809,644	\$ 1,851,858	\$ 1,654,869	\$ 9,905	\$ 1,664,774	\$ 187,084

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

Management believes the financial statements included in this report represent all of the funds over which the Village is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

The Village had the following significant special revenue funds:

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

Parkland Acquisition Fund - This fund receives donations and transfers in from the general fund for improving the Village's park.

Debt Service Funds

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

The Village had the following significant debt service funds:

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

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

Capital Projects Funds

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

The Village had the following significant capital projects funds in 2002:

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

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

PROPRIETARY FUND:

Enterprise Funds

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

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

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

Fiduciary Funds (Agency Funds)

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

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

Income Tax Fund - (Expendable Trust Fund) - This fund received monies from the Village income tax to be used for operations at the discretion of the Village Council. In 2002, the Village Council approved to account for the receipts of the income tax in the general fund and approved a residual equity transfer of the fund balance remaining in the Income Tax fund to the general fund.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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. BUDGETARY PROCESS

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

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

Tax Budget:

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

Estimated Resources:

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

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during 2003 and 2002.

Encumbrances:

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. Prior year encumbrance carryover has been restated at December 31, 2001 to properly reflect amounts encumbered. The Village had outstanding encumbrances at December 31, 2003 and 2002.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the treasurer is credited to the General Fund and allocated amongst certain funds based on Village policy or State statute. Interest income earned and received by the Village totaled \$12,819 and \$18,273, for the years ended December 31, 2003 and 2002, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

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

F. INTERGOVERNMENTAL REVENUES

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

G. UNPAID VACATION AND SICK LEAVE

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

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Residual equity transfers are nonrecurring or nonroutine transfers of equity between funds.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

I. RESIDUAL EQUITY TRANSFER

In prior years the income tax fund was reported as an Expendable Trust Fund. In 2002 the remaining fund balance of \$145,383 was transferred to the General Fund via a “residual equity transfer” approved by the Village Council.

J. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 611,168	\$ 418,922
Certificates of deposit	<u>695,000</u>	<u>695,000</u>
Total Deposits	<u>\$ 1,306,168</u>	<u>\$ 1,113,922</u>

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

Cash With Fiscal Agent: At December 31, 2003 and 2002, the Village had on deposit \$4,093 and \$6,357, respectively with the Wayne County Treasurer related to Permissive Tax Funds. Information regarding insurance and collateralization can be obtained from Wayne County. These amounts are not included as part of the cash pool of the Village.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 - DEBT OBLIGATIONS

At December 31, 2003, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2003</u>
1998 loan with Ohio Public Works Commission (OPWC) for wastewater treatment plant improvements due in semi-annual installments of \$13,822 through 2008, bearing interest at 0%. (CP907)	\$ 110,568
1997 loan with Ohio Water Development Authority (OWDA), due in semi-annual installments of \$22,568 through 2017, bearing interest at 3.16%. (341SRF)	478,153
1996 note with First National Bank, for land and building renovations dated December 5, 1995, due in monthly installments of \$1,538 through 2008, bearing interest at 6.7%.	56,133
2000 loan with OPWC for Main Street Water Main Improvements, due in semi-annual installments of \$5,272 through 2021, bearing interest of 0%. (CP26C)	179,258
2000 loan with OPWC for Summit Street Water Main Improvements, due in semi-annual installments of \$3,729 through 2020, bearing interest of 0%. (CP11B)	123,075
2001 loan with OPWC for Main and Dan Streets Culvert Replacement, due in semi-annual installments of \$727 through 2021, bearing interest of 0%. (CP26D)	<u>25,445</u>
Total debt obligations at December 31, 2003	<u>\$ 972,632</u>

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2003 and 2002 are summarized as follows:

<u>Description</u>	<u>Balance at December 31, 2002</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2003</u>
<u>2003:</u>				
OPWC-CP907	\$ 138,212	\$ -	\$ (27,644)	\$ 110,568
OWDA-341SRF	507,483	-	(29,330)	478,153
Mortgage Note	124,485	-	(68,352)	56,133
OPWC-CP26C	189,802	-	(10,544)	179,258
OPWC-CP11B	130,533	-	(7,458)	123,075
OPWC-CP26D	26,899	-	(1,454)	25,445
Promissory Note	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>
Totals	<u>\$ 1,147,414</u>	<u>\$ -</u>	<u>\$ (174,782)</u>	<u>\$ 972,632</u>

<u>Description</u>	<u>Balance at December 31, 2001</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2002</u>
<u>2002:</u>				
OPWC-CP907	\$ 165,856	\$ -	\$ (27,644)	\$ 138,212
OWDA-341SRF	535,908	-	(28,425)	507,483
Mortgage Note	134,246	-	(9,761)	124,485
OPWC-CP26C	200,346	-	(10,544)	189,802
OPWC-CP11B	137,991	-	(7,458)	130,533
OPWC-CP26D	28,353	-	(1,454)	26,899
Promissory Note	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Totals	<u>\$ 1,202,700</u>	<u>\$ 30,000</u>	<u>\$ (85,286)</u>	<u>\$ 1,147,414</u>

During 2002, the Village received an interest free loan in the amount of \$30,000 related to improvements of the Village Park. This loan was repaid in 2003. During 2003, the Village paid \$25,000 with the remainder of \$5,000 forgiven by the lender.

In addition, the Village Council elected to pay additional principal than required on their outstanding Mortgage Note.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2003, are as follows:

Year Ending December 31	Total OPWC	Total OWDA		Mortgage Note	
	Principal	Principal	Interest	Principal	Interest
2004	\$ 23,550	\$ 15,014	\$ 7,554	\$ 11,135	\$ 7,321
2005	47,100	30,743	14,393	11,926	6,530
2006	47,100	31,722	13,414	12,750	5,706
2007	47,100	32,732	12,404	13,631	4,825
2008	33,278	33,775	11,361	6,691	3,900
2009 - 2013	97,280	185,711	39,969	-	-
2014 - 2018	97,280	148,456	9,522	-	-
2019 - 2021	45,658	-	-	-	-
Total	<u>\$ 438,346</u>	<u>\$ 478,153</u>	<u>\$ 108,617</u>	<u>\$ 56,133</u>	<u>\$ 28,282</u>

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County annually. However, if the property owner elects, they may make semiannual payments.

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

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

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

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 1% was increased to 1½% effective with January 1, 2002 collection. This income tax applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are credited to the Village's general fund and amounted to \$465,199 and \$357,447 in 2003 and 2002, respectively.

NOTE 7 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2003:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 181,399
<u>SPECIAL REVENUE FUNDS:</u>		
Street Construction, Maintenance & Repair	80,023	1,454
Parkland Acquisition Fund	<u>25,000</u>	<u>-</u>
Total Special Revenue Funds	<u>105,023</u>	<u>1,454</u>
<u>DEBT SERVICE FUNDS:</u>		
Ohio Public Works Fund	44,351	-
Ohio Water Development Authority	45,137	-
Mortgage Retirement Fund	<u>76,375</u>	<u>-</u>
Total Debt Service Funds	<u>165,863</u>	<u>-</u>
<u>ENTERPRISE FUNDS:</u>		
Water Fund	-	15,253
Sewer Fund	<u>-</u>	<u>72,780</u>
Total Enterprise Funds	<u>-</u>	<u>88,033</u>
Total	<u>\$ 270,886</u>	<u>\$ 270,886</u>

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 7 - INTERFUND TRANSACTIONS - (Continued)

The Village had the following interfund transactions for the year ended December 31, 2002:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 230,554
<u>SPECIAL REVENUE FUNDS:</u>		
Street Construction, Maintenance & Repair	60,000	410
Parkland Acquisition Fund	<u>152,094</u>	<u>-</u>
Total Special Revenue Funds	<u>212,094</u>	<u>410</u>
<u>DEBT SERVICE FUNDS:</u>		
Ohio Public Works Commission	73,191	-
Ohio Water Development Authority	31,291	-
Mortgage Retirement Fund	<u>18,459</u>	<u>-</u>
Total Debt Service Funds	<u>122,941</u>	<u>-</u>
<u>CAPITAL PROJECT FUND:</u>		
Ohio Public Works Construction Fund	<u>-</u>	<u>13,291</u>
<u>ENTERPRISE FUNDS:</u>		
Water Fund	-	18,000
Sewer Fund	<u>-</u>	<u>72,780</u>
Total Enterprise Funds	<u>-</u>	<u>90,780</u>
Total	<u>\$ 335,035</u>	<u>\$ 335,035</u>

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 7 - INTERFUND TRANSACATIONS - (Continued)

The Village had the following residual equity transfer for the year ended December 31, 2002:

<u>Fund Type/Fund</u>	<u>Residual Equity Transfer In</u>	<u>Residual Equity Transfer Out</u>
General Fund	\$ 145,383	\$ -
 <u>EXPENDABLE TRUST FUND:</u>		
Income Tax Fund	<u>-</u>	<u>145,383</u>
Total	<u>\$ 145,383</u>	<u>\$ 145,383</u>

The above transfers were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. The transfers out of the Street Construction, Maintenance and Repair and Ohio Public Works Construction funds are related to the retirement of debt.

NOTE 8 - RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2003, the Village's unpaid portion for OP&F was \$4,689 for the year ended 2003. All contributions were paid up to date for OP&F at the end of 2002 and all required contributions were paid for OPERS through 2003 and 2002.

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

NOTE 9 - RISK MANAGEMENT

In 2003 and 2002, the Village has obtained commercial insurance for the following risks:

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

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

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in any litigation.

NOTE 11 - CENTRAL FIRE DISTRICT

In 2002, the Village of Smithville, Green Township and Wayne Township created a Central Fire District. The Village donated fire equipment, vehicles and accumulated monies to this District per the agreement. These accumulated monies totaled \$55,108 in 2002 and is included in the Special Revenue Fund Type - Transportation expenditure line item.

NOTE 12 - SUBSEQUENT EVENT

In April of 2004, the Village paid off the remaining balance of its mortgage note.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited the financial statements of the Village of Smithville, Wayne County (the “Village”) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village’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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated March 31, 2004.

Members of Council
Village of Smithville

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village in a separate letter dated March 31, 2004.

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

Trimble, Julian & Grube, Inc.
March 31, 2004

**VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

STATUS OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-VS-001	Ohio Revised Code Section 5705.39 in part requires that appropriation from each fund should not exceed estimated resources.	Yes	N/A
2000-VS-002	Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.	Yes	N/A



**Auditor of State
Betty Montgomery**

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VILLAGE OF SMITHVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 27, 2004**