

**VILLAGE OF SMITHVILLE
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA

Auditor of State

Village Council
Village of Smithville
207 West Main Street
P.O. Box 517
Smithville, Ohio 44677

We have reviewed the *Independent Accountants' Report* of the Village of Smithville, Wayne County, prepared by Knox & Knox, for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 22, 2008

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VILLAGE OF SMITHVILLE
WAYNE COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Smithville
Wayne County
P.O. Box 517
207 West Main Street
Smithville, Ohio 44677

We have audited the accompanying financial statements of the Village of Smithville, Wayne County, Ohio, as of and for the years ended December 31, 2007 and 2006. 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, if any, 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 described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. While the Village does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position and cash flows for the years then ended.

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Wayne County
Report of Independent Accountants
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Smithville, Wayne County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008, on our consideration of the Village of Smithville's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. 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.

Knox & Knox

Orrville Ohio
June 23, 2008

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Services	
CASH RECEIPTS:					
Property and Other Local Taxes	\$562,770				\$562,770
Intergovernmental Revenue	191,812	\$97,113	\$252,016		540,941
Fines, Licenses, and Permits	23,153	1,675			24,828
Earnings on Investments	40,083	5,010			45,093
Charges for Services	15,299				15,299
Miscellaneous	5,449				5,449
	838,566	103,798	252,016		1,194,380
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	304,797	649			305,446
Public Health Services	5,939				5,939
Leisure Time Activities	39,377				39,377
Community Environment	8,227				8,227
Transportation		203,059			203,059
General Government	131,413				131,413
Debt Service				\$1,454	
Capital Outlay		3,045	580,278		583,323
	489,753	206,753	580,278	1,454	1,278,238
Total Receipts Over/(Under) Disbursements	348,813	(102,955)	(328,262)	(1,454)	(83,858)
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Transfers-In		60,336	210,381	1,455	272,172
Transfers-Out	(140,301)	(1,455)			(141,756)
Other Financing Uses	(7,937)				(7,937)
	(148,238)	58,881	210,381	1,455	122,479
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	200,575	(44,074)	(117,881)	1	38,621
Fund Cash Balances, January 1	435,621	140,940	159,783	1	736,345
FUND CASH BALANCES, DECEMBER 31	\$636,196	\$96,866	\$41,902	\$2	\$774,966

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
OPERATING CASH RECEIPTS:			
Charges for Services	\$419,343		\$419,343
Miscellaneous	31,862	\$31,656	63,518
Total Operating Cash Receipts	451,205	31,656	482,861
OPERATING CASH DISBURSEMENTS:			
Personal Services	149,682		149,682
Contractual Services	88,575		88,575
Supplies and Materials	129,091		129,091
Miscellaneous		31,656	31,656
Total Operating Cash Disbursements	367,348	31,656	399,004
Operating Income/(Loss)	83,857		83,857
NON-OPERATING CASH RECEIPTS:			
Other Financing Sources	4,242		4,242
Total Non-Operating Cash Receipts	4,242		4,242
NON-OPERATING CASH DISBURSEMENTS:			
Redemption of Principal	(48,030)		(48,030)
Interest	(11,871)		(11,871)
Transfers-Out	(130,416)		(130,416)
Total Non-Operating Cash Disbursements	(190,317)		(190,317)
Net Receipts Over/(Under) Disbursements	(102,218)		(102,218)
Fund Cash Balances, January 1	1,041,192		1,041,192
FUND CASH BALANCES, DECEMBER 31	\$938,974		\$938,974

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Services	
CASH RECEIPTS:					
Property and Other Local Taxes	\$562,874				\$562,874
Intergovernmental Revenue	60,130	\$65,920	\$37,368		163,418
Fines, Licenses, and Permits	25,389	2,415			27,804
Earnings on Investments	13,700	4,216			17,916
Charges for Services	6,555				6,555
Miscellaneous	2,144	1,150			3,294
	<u>670,792</u>	<u>73,701</u>	<u>37,368</u>		<u>781,861</u>
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	277,375	903			278,278
Public Health Services	5,604				5,604
Leisure Time Activities	40,324				40,324
Community Environment	7,815	7,844			15,659
Transportation		111,375			111,375
General Government	182,406				182,406
Debt Service				\$1,454	1,454
Capital Outlay		20,964	72,785		93,749
	<u>513,524</u>	<u>141,086</u>	<u>72,785</u>	<u>1,454</u>	<u>728,849</u>
Total Cash Disbursements	<u>513,524</u>	<u>141,086</u>	<u>72,785</u>	<u>1,454</u>	<u>728,849</u>
Total Receipts Over/(Under) Disbursements	<u>157,268</u>	<u>(67,385)</u>	<u>(35,417)</u>	<u>(1,454)</u>	<u>53,012</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Transfers-In		40,326	195,200	1,455	236,981
Transfers-Out	(105,326)	(1,455)			(106,781)
Total Other Financing Receipts/(Disbursements)	<u>(105,326)</u>	<u>38,871</u>	<u>195,200</u>	<u>1,455</u>	<u>130,200</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,942	(28,514)	159,783	1	183,212
Fund Cash Balances, January 1	<u>383,679</u>	<u>169,454</u>			<u>553,133</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$435,621</u>	<u>\$140,940</u>	<u>\$159,783</u>	<u>\$1</u>	<u>\$736,345</u>

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
OPERATING CASH RECEIPTS:			
Charges for Services	\$437,206		\$437,206
Miscellaneous	30,225	\$35,177	65,402
Total Operating Cash Receipts	467,431	35,177	502,608
OPERATING CASH DISBURSEMENTS:			
Personal Services	145,334		145,334
Contractual Services	39,036		39,036
Supplies and Materials	74,606		74,606
Miscellaneous	10	35,177	258,976
Capital Outlay	6,369		6,369
Total Operating Cash Disbursements	265,355	35,177	300,532
Operating Income/(Loss)	202,076		202,076
NON-OPERATING CASH DISBURSEMENTS:			
Redemption of Principal	(71,713)		(71,713)
Interest	(12,420)		(12,420)
Transfers-Out	(130,200)		(130,200)
Total Non-Operating Cash Disbursements	(214,333)		(214,333)
Net Receipts Over/(Under) Disbursements	(12,257)		(12,257)
Fund Cash Balances, January 1	1,053,449		1,053,449
FUND CASH BALANCES, DECEMBER 31	\$1,041,192		\$1,041,192

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, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Smithville, Wayne County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and Mayor and an elected Clerk-Treasurer. The Village provides police services, maintenance of Village streets and highways, and water utility services.

The Village's management believes these financial statements present all activities for which the Village 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. Cash and Investments

Investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued 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 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 Village had the following significant Special Revenue Funds:

Parkland Acquisition Fund - This fund receives donations for improving the Village park.

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

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund was used to accumulate resources for water line improvements on Center and Northeast Streets.

4. Debt Service Funds

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

OPWC - This fund is used to retire OPWC debt requirements.

OWDA - This fund is used to retire OWDA debt requirements.

5. 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 has 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.

6. Fiduciary Fund (Agency Fund)

This fund accounts for activity for which the Village is acting in an agency capacity. The Village has the following Agency Fund:

Mayor's Court - This fund accounts for the financial activity of the Mayor's Court.

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 office, department, or division level of control, and within each, personal services. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Fund Accounting (continued)

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 commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. **EQUITY IN POOLED CASH**

The Village 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>2007</u>	<u>2006</u>
Demand deposits	\$142,207	\$210,884
Certificates of deposit	1,571,763	1,566,653
Total deposits	<u>\$1,713,970</u>	<u>\$1,777,537</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$739,697	\$ 838,566	\$98,869
Special Revenue	107,570	164,134	56,564
Debt Service	1,455	1,455	
Enterprise	450,500	455,447	4,947
Capital Projects	524,781	462,397	(62,384)
Total	<u>\$1,824,003</u>	<u>\$1,921,999</u>	<u>\$97,996</u>

Fund Type	2007 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$783,387	\$637,991	\$145,396
Special Revenue	217,160	208,208	8,952
Debt Service	1,455	1,454	1
Enterprise	614,775	557,665	57,110
Capital Projects	738,516	580,278	158,238
Total	<u>\$2,355,293</u>	<u>\$1,985,596</u>	<u>\$369,697</u>

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$651,000	\$670,792	\$19,792
Special Revenue	113,280	114,027	747
Debt Service	1,455	1,455	
Enterprise	462,000	467,431	5,431
Capital Projects	70,000	232,568	162,568
Total	<u>\$1,297,735</u>	<u>\$1,486,273</u>	<u>\$188,538</u>

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$790,526	\$618,850	\$171,676
Special Revenue	210,564	142,541	68,023
Debt Service	1,455	1,454	1
Enterprise	1,468,555	479,688	988,867
Capital Projects	215,200.0	72,785.0	142,415
Total	<u>\$2,686,300</u>	<u>\$1,315,318</u>	<u>\$1,370,982</u>

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

3. BUDGETARY ACTIVITY (continued)

In 2006, appropriations exceeded estimated resources in the capital projects fund contrary to Ohio law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. 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 payments, the first half is due December 31. The second half 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 Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1½ percent. This 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 within the Village. It also applies to the net income of business organizations located within the Village.

6. RETIREMENT SYSTEMS

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

Contributions rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, PFDPF participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The Village contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

7. RISK MANAGEMENT

In 2007 and 2006 the Village has obtained commercial insurance for the following risks:

- Buildings and contents;
- Vehicles;
- Public officials' liability; and
- Inland marine.

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

8. DEBT OBLIGATIONS

At December 31, 2007 debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2007</u>
1997 loan with Ohio Water Development Authority (No. 341SRF), due in semi-annual installments of \$22,568 through 2017, bearing interest at 3.16%.	\$367,939
2000 loan with OPWC (No. 26C) for Main Street Water Main Improvements, due in semi-annual installments of \$5,272 through 2020, bearing interest of 0%.	142,351
2000 loan with OPWC (No. CP11B) for Summit Street Water Main improvements, due in semi-annual installments of \$3,729 through 2020, bearing interest of 0%.	96,965
2001 loan with OPWC (No. CP26D) for Main and Dan Streets Culvert Replacement, due in semi-annual installments of \$727 through 2020, bearing interest of 0%.	<u>20,356</u>
Total debt obligations at December 31, 2007	<u><u>\$627,611</u></u>

The following is a summary of principal maturities plus interest:

<u>For year ending December 31:</u>	<u>OPWC No. 26C</u>		
	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2008	\$10,544	\$10,544	
2009	10,544	10,544	
2010	10,544	10,544	
2011	10,544	10,544	
2012	10,544	10,544	
2013-2017	52,720	52,720	
2018-2021	36,911	36,911	
Total	<u><u>\$142,351</u></u>	<u><u>\$142,351</u></u>	<u><u> </u></u>

VILLAGE OF SMITHVILLE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

8. DEBT OBLIGATIONS (continued)

For year ending December 31:	OPWC No. CP11B		
	Payment	Principal	Interest
2008	\$7,459	\$7,459	
2009	7,459	7,459	
2010	7,459	7,459	
2011	7,459	7,459	
2012	7,459	7,459	
2013-2017	37,295	37,295	
2018-2020	22,375	22,375	
Totals	<u>\$96,965</u>	<u>\$96,965</u>	

For year ending December 31:	OPWC No. CP26D		
	Payment	Principal	Interest
2008	\$1,454	\$1,454	
2009	1,454	1,454	
2010	1,454	1,454	
2011	1,454	1,454	
2012	1,454	1,454	
2013-2017	7,270	7,270	
2018-2021	5,816	5,816	
Totals	<u>\$20,356</u>	<u>\$20,356</u>	

For year ending December 31:	OWDA No. 341SRF		
	Payment	Principal	Interest
2008	\$45,136	\$33,775	\$11,361
2009	45,136	34,851	10,285
2010	45,136	35,960	9,176
2011	45,136	37,105	8,031
2012	45,136	38,286	6,850
2013-2017	203,113	187,962	15,151
Totals	<u>\$428,793</u>	<u>\$367,939</u>	<u>\$60,854</u>

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, managements believes such refunds, if any, would not be material.

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

Village of Smithville
Wayne County
P.O. Box 517
207 West Main Street
Smithville, Ohio 44677

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithville, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 23, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted another matter that we reported to the Village's management in a separate letter dated June 23, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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, providing an opinion 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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding 2007-01.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
June 23, 2008

VILLAGE OF SMITHVILLE
WAYNE COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2007-01

Noncompliance Citation

Ohio Revised Code Section 5705.39 states that appropriations shall be limited by estimated resources. During 2006, appropriations exceeded estimated resources as follows:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>
Capital Projects	\$70,000	\$215,200

To avoid overspending, the Village should limit appropriations to estimated resources.

Client Response: None



Mary Taylor, CPA
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
OCTOBER 2, 2008**