



Dave Yost • Auditor of State



VILLAGE OF SMITHVILLE  
WAYNE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Smithville, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Smithville, Wayne County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2012, the Village elected to change its financial presentation to conform with the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). We did not modify our opinion with respect to this matter.

In addition, as discussed in Note 2 to the financial statements, the 2011 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 8, 2014

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | General           | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|--|-------------------|--------------------|-----------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>   |                   |                    |                 |                     |                                |
| Property and Other Local Taxes                                 | \$ 54,669         | \$ -               | \$ -            | \$ -                | \$ 54,669                      |
| Municipal Income Tax   | 590,145           |                    |                 |                     | 590,145                        |
| Intergovernmental  | 35,724            | 67,700             |                 |                     | 103,424                        |
| Special Assessments  |                   | 4,774              |                 |                     | 4,774                          |
| Charges for Services   | 27,305            |                    |                 |                     | 27,305                         |
| Fines, Licenses and Permits                                    | 37,977            | 2,952              |                 |                     | 40,929                         |
| Earnings on Investments  | 4,946             |                    |                 |                     | 4,946                          |
| Miscellaneous  | 4,288             |                    |                 | 12,000              | 16,288                         |
| <i>Total Cash Receipts</i>                                     | <u>755,054</u>    | <u>75,426</u>      | <u>-</u>        | <u>12,000</u>       | <u>842,480</u>                 |
| <b>Cash Disbursements</b>                                      |                   |                    |                 |                     |                                |
| Current:   |                   |                    |                 |                     |                                |
| Security of Persons and Property                               | 314,131           |                    |                 |                     | 314,131                        |
| Public Health Services   | 16,901            |                    |                 |                     | 16,901                         |
| Leisure Time Activities  | 61,999            |                    |                 |                     | 61,999                         |
| Community Environment  | 4,714             |                    |                 |                     | 4,714                          |
| Transportation   |                   | 174,002            |                 |                     | 174,002                        |
| General Government   | 122,887           | 1,573              |                 |                     | 124,460                        |
| Debt Service:  |                   |                    |                 |                     |                                |
| Principal Retirement   |                   |                    | 1,454           |                     | 1,454                          |
| <i>Total Cash Disbursements</i>                                | <u>520,632</u>    | <u>175,575</u>     | <u>1,454</u>    | <u>-</u>            | <u>697,661</u>                 |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>234,422</u>    | <u>(100,149)</u>   | <u>(1,454)</u>  | <u>12,000</u>       | <u>144,819</u>                 |
| <b>Other Financing Receipts (Disbursements)</b>                |                   |                    |                 |                     |                                |
| Transfers In   |                   | 90,335             | 1,455           |                     | 91,790                         |
| Transfers Out  | (121,444)         | (1,455)            |                 |                     | (122,899)                      |
| <i>Total Other Financing Receipts (Disbursements)</i>          | <u>(121,444)</u>  | <u>88,880</u>      | <u>1,455</u>    | <u>-</u>            | <u>(31,109)</u>                |
| <i>Net Change in Fund Cash Balances</i>                        | 112,978           | (11,269)           | 1               | 12,000              | 113,710                        |
| <i>Fund Cash Balances, January 1</i>                           | <u>798,068</u>    | <u>140,815</u>     | <u>1</u>        | <u>983</u>          | <u>939,867</u>                 |
| <b>Fund Cash Balances, December 31</b>                         |                   |                    |                 |                     |                                |
| Restricted   |                   | 129,546            | 2               | 12,983              | 142,531                        |
| Assigned   | 30,134            |                    |                 |                     | 30,134                         |
| Unassigned   | 880,912           |                    |                 |                     | 880,912                        |
| <i>Fund Cash Balances, December 31</i>                         | <u>\$ 911,046</u> | <u>\$ 129,546</u>  | <u>\$ 2</u>     | <u>\$ 12,983</u>    | <u>\$ 1,053,577</u>            |

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Totals               |
|---|--------------------------|------------------------|----------------------|
|   | Enterprise               | Agency                 | (Memorandum<br>Only) |
| <b>Operating Cash Receipts</b>                      |                          |                        |                      |
| Charges for Services                                | \$ 507,790               | \$ -                   | \$ 507,790           |
| Miscellaneous                                       | 3,871                    |                        | 3,871                |
| <i>Total Operating Cash Receipts</i>                | <u>511,661</u>           | <u>-</u>               | <u>511,661</u>       |
| <b>Operating Cash Disbursements</b>                 |                          |                        |                      |
| Personal Services                                   | 73,878                   |                        | 73,878               |
| Employee Fringe Benefits                            | 27,419                   |                        | 27,419               |
| Contractual Services                                | 117,857                  |                        | 117,857              |
| Supplies and Materials                              | 99,880                   |                        | 99,880               |
| Other   | 884                      | 5                      | 889                  |
| <i>Total Operating Cash Disbursements</i>           | <u>319,918</u>           | <u>5</u>               | <u>319,923</u>       |
| <i>Operating Income (Loss)</i>                      | <u>191,743</u>           | <u>(5)</u>             | <u>191,738</u>       |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |                        |                      |
| Court Collections                                   |                          | 58,413                 | 58,413               |
| Court Disbursements                                 |                          | (58,127)               | (58,127)             |
| Principal Retirement                                | (67,659)                 |                        | (67,659)             |
| Interest and Other Fiscal Charges                   | (6,849)                  |                        | (6,849)              |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(74,508)</u>          | <u>286</u>             | <u>(74,222)</u>      |
| <i>Income before Transfers</i>                      | 117,235                  | 281                    | 117,516              |
| Transfers In  | 31,108                   |                        | 31,108               |
| <i>Net Change in Fund Cash Balances</i>             | 148,343                  | 281                    | 148,624              |
| <i>Fund Cash Balances, January 1</i>                | <u>1,209,238</u>         | <u>4,790</u>           | <u>1,214,028</u>     |
| <i>Fund Cash Balances, December 31</i>              | <u>\$ 1,357,581</u>      | <u>\$ 5,071</u>        | <u>\$ 1,362,652</u>  |

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|  | General           | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|--|-------------------|--------------------|-----------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>   |                   |                    |                 |                     |                                |
| Property and Other Local Taxes                                 | \$ 54,310         | \$ -               | \$ -            | \$ -                | \$ 54,310                      |
| Municipal Income Tax   | 516,612           |                    |                 |                     | 516,612                        |
| Intergovernmental  | 64,274            | 65,760             |                 |                     | 130,034                        |
| Special Assessments  |                   | 13,201             |                 |                     | 13,201                         |
| Charges for Services   | 2,975             |                    |                 |                     | 2,975                          |
| Fines, Licenses and Permits                                    | 26,223            | 2,250              |                 |                     | 28,473                         |
| Earnings on Investments  | 18,539            |                    |                 |                     | 18,539                         |
| Miscellaneous  | 3,024             | 834                |                 | 654                 | 4,512                          |
| <i>Total Cash Receipts</i>                                     | <u>685,957</u>    | <u>82,045</u>      | <u>-</u>        | <u>654</u>          | <u>768,656</u>                 |
| <b>Cash Disbursements</b>                                      |                   |                    |                 |                     |                                |
| Current:   |                   |                    |                 |                     |                                |
| Security of Persons and Property                               | 307,979           |                    |                 |                     | 307,979                        |
| Public Health Services   | 19,136            |                    |                 |                     | 19,136                         |
| Leisure Time Activities  | 39,478            |                    |                 |                     | 39,478                         |
| Community Environment  | 16,387            |                    |                 |                     | 16,387                         |
| Transportation   |                   | 164,051            |                 |                     | 164,051                        |
| General Government   | 134,969           | 1,447              |                 |                     | 136,416                        |
| Debt Service:  |                   |                    |                 |                     |                                |
| Principal Retirement   |                   |                    | 1,454           |                     | 1,454                          |
| <i>Total Cash Disbursements</i>                                | <u>517,949</u>    | <u>165,498</u>     | <u>1,454</u>    | <u>-</u>            | <u>684,901</u>                 |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>168,008</u>    | <u>(83,453)</u>    | <u>(1,454)</u>  | <u>654</u>          | <u>83,755</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>                |                   |                    |                 |                     |                                |
| Transfers In   |                   | 110,000            | 1,452           |                     | 111,452                        |
| Transfers Out  | (170,000)         | (1,452)            |                 |                     | (171,452)                      |
| <i>Total Other Financing Receipts (Disbursements)</i>          | <u>(170,000)</u>  | <u>108,548</u>     | <u>1,452</u>    | <u>-</u>            | <u>(60,000)</u>                |
| <i>Net Change in Fund Cash Balances</i>                        | (1,992)           | 25,095             | (2)             | 654                 | 23,755                         |
| <i>Fund Cash Balances, January 1</i>                           | <u>800,060</u>    | <u>115,720</u>     | <u>3</u>        | <u>329</u>          | <u>916,112</u>                 |
| <b>Fund Cash Balances, December 31</b>                         |                   |                    |                 |                     |                                |
| Restricted   |                   | 140,815            | 1               | 983                 | 141,799                        |
| Assigned   | 73,700            |                    |                 |                     | 73,700                         |
| Unassigned   | 724,368           |                    |                 |                     | 724,368                        |
| <i>Fund Cash Balances, December 31</i>                         | <u>\$ 798,068</u> | <u>\$ 140,815</u>  | <u>\$ 1</u>     | <u>\$ 983</u>       | <u>939,867</u>                 |

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Totals               |
|---|--------------------------|------------------------|----------------------|
|   | Enterprise               | Agency                 | (Memorandum<br>Only) |
| <b>Operating Cash Receipts</b>                      |                          |                        |                      |
| Charges for Services                                | \$ 532,215               | \$ -                   | \$ 532,215           |
| Miscellaneous                                       | 2,092                    | 679                    | 2,771                |
| <i>Total Operating Cash Receipts</i>                | <u>534,307</u>           | <u>679</u>             | <u>534,986</u>       |
| <b>Operating Cash Disbursements</b>                 |                          |                        |                      |
| Personal Services                                   | 107,489                  |                        | 107,489              |
| Employee Fringe Benefits                            | 43,622                   |                        | 43,622               |
| Contractual Services                                | 106,041                  |                        | 106,041              |
| Supplies and Materials                              | 197,197                  |                        | 197,197              |
| Other   | 22                       |                        | 22                   |
| <i>Total Operating Cash Disbursements</i>           | <u>454,371</u>           | <u>-</u>               | <u>454,371</u>       |
| <i>Operating Income</i>                             | <u>79,936</u>            | <u>679</u>             | <u>80,615</u>        |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |                        |                      |
| Court Collections                                   |                          | 39,354                 | 39,354               |
| Court Disbursements                                 |                          | (37,479)               | (37,479)             |
| Principal Retirement                                | (67,659)                 |                        | (67,659)             |
| Interest and Other Fiscal Charges                   | (6,849)                  |                        | (6,849)              |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(74,508)</u>          | <u>1,875</u>           | <u>(72,633)</u>      |
| <i>Income before Transfers</i>                      | 5,428                    | 2,554                  | 7,982                |
| Transfers In  | 60,000                   |                        | 60,000               |
| <i>Net Change in Fund Cash Balances</i>             | 65,428                   | 2,554                  | 67,982               |
| <i>Fund Cash Balances, January 1 (restated)</i>     | <u>1,143,810</u>         | <u>2,236</u>           | <u>1,146,046</u>     |
| <i>Fund Cash Balances, December 31</i>              | <u>\$ 1,209,238</u>      | <u>\$ 4,790</u>        | <u>\$ 1,214,028</u>  |

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

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Village**

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

The Village participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

**Public Entity Risk Pool**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The Village has no investments.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

VILLAGE OF SMITHVILLE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

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

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

5. Enterprise Funds

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

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

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

6. Fiduciary Funds

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

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

VILLAGE OF SMITHVILLE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF SMITHVILLE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

F. **Fund Balance (Continued)**

3. **Committed**

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

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

H. **Accumulated Leave**

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

2. **Prior Period Adjustment**

The Village restated the 2011 financial statements to adjust the Agency Fund December 31, 2011 fund balances from \$0 to \$2,236 to account for the Mayor's Court activity.

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Equity in Pooled Deposits**

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

|                         | 2013        | 2012        |
|-------------------------|-------------|-------------|
| Demand deposits         | \$1,166,229 | \$903,895   |
| Certificates of deposit | 1,250,000   | 1,250,000   |
| Total deposits          | \$2,416,229 | \$2,153,895 |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**4. Budgetary Activity**

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
|------------------|----------------------|--------------------|-----------|
| General          | \$648,482            | \$755,054          | \$106,572 |
| Special Revenue  | 170,250              | 165,761            | (4,489)   |
| Debt Service     | 1,455                | 1,455              | 0         |
| Capital Projects | 12,000               | 12,000             | 0         |
| Enterprise       | 560,650              | 542,769            | (17,881)  |
| Total            | \$1,392,837          | \$1,477,039        | \$84,202  |

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
|------------------|----------------------------|---------------------------|-----------|
| General          | \$721,994                  | \$661,550                 | \$60,444  |
| Special Revenue  | 244,696                    | 179,795                   | 64,901    |
| Debt Service     | 1,455                      | 1,454                     | 1         |
| Capital Projects | 2,000                      | 2,000                     | 0         |
| Enterprise       | 498,451                    | 407,076                   | 91,375    |
| Total            | \$1,468,596                | \$1,251,875               | \$216,721 |

**2012 Budgeted vs. Actual Receipts**

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
|------------------|----------------------|--------------------|------------|
| General          | \$682,071            | \$685,957          | \$3,886    |
| Special Revenue  | 233,242              | 192,045            | (41,197)   |
| Debt Service     | 1,452                | 1,452              | 0          |
| Capital Projects | 654                  | 654                | 0          |
| Enterprise       | 585,322              | 594,307            | 8,985      |
| Total            | \$1,502,741          | \$1,474,415        | (\$28,326) |

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Budgetary Activity (Continued)**

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$794,946                  | \$697,514                 | \$97,432  |
| Special Revenue                                       | 254,415                    | 166,950                   | 87,465    |
| Debt Service  | 1,455                      | 1,454                     | 1         |
| Capital Projects                                      | 329                        | 0                         | 329       |
| Enterprise  | 549,262                    | 528,879                   | 20,383    |
| Total   | \$1,600,407                | \$1,394,797               | \$205,610 |

**5. Property Tax**

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

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

**6. Local Income Tax**

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

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

**7. Debt**

Debt outstanding at December 31, 2013 was as follows:

|   | Principal | Interest Rate |
|---|-----------|---------------|
| Ohio Public Works Commission Loan (CP26D)       | \$11,632  | 0%            |
| Ohio Public Works Commission Loan (CP26C)       | 79,084    | 0%            |
| Ohio Public Works Commission Loan (CP11B)       | 52,212    | 0%            |
| Ohio Public Works Commission Loan (CP11J)       | 50,638    | 0%            |
| Ohio Water Development Authority Loan (341 SRF) | 148,451   | 3.16%         |
| Total   | \$342,017 |               |

The Ohio Public Works Commission loan (CP26D) was approved up to \$29,080 for Main and Dan Street Culvert Replacements. The Village will repay the loan in semiannual installments of \$727, including interest at 0 percent through 2020.

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Debt (Continued)**

The Ohio Public Works Commission loan (CP26C) was approved up to \$210,890 for Main Street Water Main Improvements. The Village will repay the loan in semiannual installments of \$5,272, including interest at 0 percent through 2020.

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

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

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

The Village's taxing authority collateralized the loans.

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

| Year ending December 31: | OPWC Loan<br>(CP26D) | OPWC Loan<br>(CP26C) | OPWC Loan<br>(CP11B) | OPWC Loan<br>(CP11J) | OWDA Loan<br>(341 SRF) |
|--------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| 2014                     | \$1,454              | \$10,545             | \$7,459              | \$3,492              | \$45,137               |
| 2015                     | 1,454                | 10,545               | 7,459                | 3,492                | 45,137                 |
| 2016                     | 1,454                | 10,545               | 7,459                | 3,492                | 45,137                 |
| 2017                     | 1,454                | 10,545               | 7,459                | 3,492                | 22,569                 |
| 2018                     | 1,454                | 10,545               | 7,459                | 3,492                |                        |
| 2019-2023                | 4,362                | 26,359               | 14,917               | 17,461               |                        |
| 2024-2028                |                      |                      |                      | 15,717               |                        |
| Total                    | <u>\$11,632</u>      | <u>\$79,084</u>      | <u>\$52,212</u>      | <u>\$50,638</u>      | <u>\$157,980</u>       |

**8. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For January 1 to June 30, 2013 and 2012, OP&F participants contributed 10% of their wages. As of July 1, 2013, OP&F participants contributed 10.75% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Risk Management**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

|              | <u>2012</u>         | <u>2013</u>         |
|--------------|---------------------|---------------------|
| Assets       | \$34,389,569        | \$34,411,883        |
| Liabilities  | <u>(14,208,353)</u> | <u>(12,760,194)</u> |
| Net Position | <u>\$20,181,216</u> | <u>\$21,651,689</u> |

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

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

VILLAGE OF SMITHVILLE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

9. Risk Management (Continued)

Contributions to PEP

| <u>2012</u> | <u>2013</u> |
|-------------|-------------|
| \$13,927    | \$16,622    |

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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Smithville, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 8, 2014, wherein we noted the Village elected to change its financial presentation to conform with the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). We also noted the Village restated its 2011 financial statements.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 8, 2014

**VILLAGE OF SMITHVILLE  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2013-001**

**Mayor's Court Activity**

**Material Weakness**

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

For 2013, \$58,413 of receipts and \$58,127 of disbursements were adjusted to the agency fund's financial statement to reflect the Mayor's Court Activity. For 2012, \$39,354 of receipts and \$37,479 of disbursements were adjusted to the agency fund's financial statement to reflect the Mayor's Court activity.

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

**Officials' Response:**

"We will take into consideration the comment and will take the necessary action."

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# Dave Yost • Auditor of State

**VILLAGE OF SMITHVILLE**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 20, 2014**