

VILLAGE OF SMITHVILLE

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Smithville
PO Box 517
Smithville, Ohio 44677

We have reviewed the *Independent Auditor's Report* of the Village of Smithville, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 10, 2018

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VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO
Audit Report
For the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Smithville, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

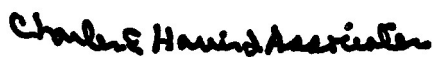
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Smithville, Wayne County, Ohio, as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 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.



Charles E. Harris & Associates, Inc.
July 2, 2018

Village of Smithville
Wayne County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 59,288	\$ -	\$ -	\$ -	\$ 59,288
Municipal Income Tax	608,153	-	-	-	608,153
Intergovernmental	37,997	72,425	-	3,700	114,122
Charges for Services	33,919	1,574	-	-	35,493
Fines, Licenses and Permits	25,399	-	-	-	25,399
Earnings on Investments	4,164	-	-	-	4,164
Miscellaneous	7,928	4,560	-	210	12,698
<i>Total Cash Receipts</i>	776,848	78,559	-	3,910	859,317
Cash Disbursements					
Current:					
Security of Persons and Property	354,236	-	-	-	354,236
Public Health Services	5,651	-	-	-	5,651
Leisure Time Activities	67,101	-	-	-	67,101
Community Environment	12,974	-	-	-	12,974
Transportation	-	249,231	-	-	249,231
General Government	132,564	3,628	-	-	136,192
Capital Outlay	33,851	43,123	-	840	77,814
Debt Service:					
Principal Retirement	-	-	4,556	-	4,556
<i>Total Cash Disbursements</i>	606,377	295,982	4,556	840	907,755
<i>Excess of Receipts Over (Under) Disbursements</i>	170,471	(217,423)	(4,556)	3,070	(48,438)
Other Financing Receipts (Disbursements)					
Transfers In	-	260,000	4,606	-	264,606
Transfers Out	(261,600)	(3,006)	-	-	(264,606)
<i>Total Other Financing Receipts (Disbursements)</i>	(261,600)	256,994	4,606	-	-
<i>Net Change in Fund Cash Balances</i>	(91,129)	39,571	50	3,070	(48,438)
<i>Fund Cash Balances, January 1</i>	772,343	112,531	5	19,430	904,309
Fund Cash Balances, December 31					
Nonspendable	627	-	-	-	627
Restricted	-	152,102	55	22,500	174,657
Assigned	81,758	-	-	-	81,758
Unassigned	598,829	-	-	-	598,829
<i>Fund Cash Balances, December 31</i>	<u>\$ 681,214</u>	<u>\$ 152,102</u>	<u>\$ 55</u>	<u>\$ 22,500</u>	<u>\$ 855,871</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 Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 581,364	\$ -	\$ 581,364
Fines, Licenses and Permits	-	34,330	34,330
Miscellaneous	8,785	2,458	11,243
<i>Total Operating Cash Receipts</i>	590,149	36,788	626,937
Operating Cash Disbursements			
Personal Services	48,994	-	48,994
Employee Fringe Benefits	23,778	-	23,778
Contractual Services	254,363	-	254,363
Supplies and Materials	109,077	-	109,077
Other	-	2,458	2,458
Payments to Another Government	-	33,512	33,512
<i>Total Operating Cash Disbursements</i>	436,212	35,970	472,182
<i>Operating Income (Loss)</i>	153,937	818	154,755
Non-Operating Receipts (Disbursements)			
Earnings on Investments	10,000	-	10,000
Capital Outlay	(53,415)	-	(53,415)
Principal Retirement	(29,371)	-	(29,371)
<i>Total Non-Operating Receipts (Disbursements)</i>	(72,786)	-	(72,786)
<i>Net Change in Fund Cash Balances</i>	81,151	818	81,969
<i>Fund Cash Balances, January 1</i>	1,592,161	1,879	1,594,040
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,673,312</u>	<u>\$ 2,697</u>	<u>\$ 1,676,009</u>

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 Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Smithville, Wayne County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including park operations, water and sewer operations, and police services.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a public risk entity pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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 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:

Street Fund The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the purpose of construction, maintenance, and repair of streets within the Village.

Debt Service Fund 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 The street debt service fund accounts for and reports the receipt of Street Fund transfers for the purpose of the repayment of a loan for a culvert replacement.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 Acquisitions Fund The park acquisitions fund accounts for and reports the receipt of donations for the purpose of improving the community park.

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 The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include agency 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 passthrough grants.

Basis of Accounting

These financial statements follow 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). 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village's nonspendable balance includes unclaimed monies.

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 791,290	\$ 776,848	\$ (14,442)
Special Revenue	246,400	338,559	92,159
Debt Service	4,606	4,606	-
Capital Projects	-	3,910	3,910
Enterprise	544,850	600,149	55,299

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 901,094	\$ 870,305	\$ 30,789
Special Revenue	448,037	323,308	124,729
Debt Service	4,556	4,556	-
Capital Projects	1,257	840	417
Enterprise	563,472	530,188	33,284

Contrary to Ohio Rev. Code, total appropriations in the Special Revenue-Street Construction, Maintenance and Repair fund exceeded total estimated resources during 2017.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$ 1,322,490
Certificates of deposit	1,209,390
Total deposits	<u>\$ 2,531,880</u>

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 Ohio Pooled Collateral System (OPCS).

Note 5 – Taxes

Property Taxes

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.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5% 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.

Note 6 - 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.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (continued)

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. 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 York. 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, 2017, 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

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.

<u>2017 Contributions to PEP</u> \$14,868
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Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (continued)

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time police officers and full-time firefighters belong to the Ohio Police and Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Social Security

The Village's part-time and volunteer firefighters contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017. OP&F contributed 0.5% to fund these benefits during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan #CP07S	\$ 57,386	0.00%
OPWC Loan #CP11B	18,647	0.00%
OPWC Loan #CP11J	34,923	0.00%
OPWC Loan #CP26C	31,634	0.00%
OPWC Loan #CP26D	5,089	0.00%
OPWC Loan #CP29M	7,874	0.00%
Total	\$ 155,553	

The Ohio Public Works Commission (OPWC) 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% through 2021.

The OPWC 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% through 2021.

The OPWC 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% through 2020.

The OPWC 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% through 2028.

The OPWC loan (CP29M) was approved up to \$63,000 for the Waste Water Influent Screen Replacement. The Village will repay the loan in semiannual installments of \$3,938, including interest at 0% through 2019.

The OPWC loan (CP07S) was approved up to \$62,039 for the David Avenue Drainage Improvements. The Village will repay the loan in semiannual installments of \$1,551, including interest at 0% through 2036.

The Village’s taxing authority collateralized the loans.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (continued)

Amortization

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OPWC Loans</u>
2018	\$ 33,926
2019	26,052
2020	22,322
2021	7,321
2022	6,594
2023-2027	32,971
2028-2032	15,510
2033-2037	10,857
Total	<u>\$ 155,553</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Village of Smithville
Wayne County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 54,842	\$ -	\$ -	\$ -	\$ 54,842
Municipal Income Tax	673,145	-	-	-	673,145
Intergovernmental	22,137	73,426	-	137,233	232,796
Charges for Services	38,075	1,599	-	-	39,674
Fines, Licenses and Permits	22,129	-	-	-	22,129
Earnings on Investments	4,861	-	-	-	4,861
Miscellaneous	516	4,071	-	-	4,587
<i>Total Cash Receipts</i>	815,705	79,096	-	137,233	1,032,034
Cash Disbursements					
Current:					
Security of Persons and Property	347,668	-	-	-	347,668
Public Health Services	7,745	-	-	-	7,745
Leisure Time Activities	35,023	-	-	-	35,023
Community Environment	18,896	-	-	-	18,896
Transportation	-	182,356	-	-	182,356
General Government	136,857	1,597	-	-	138,454
Capital Outlay	-	-	-	456,968	456,968
Debt Service:					
Principal Retirement	-	-	3,005	-	3,005
<i>Total Cash Disbursements</i>	546,189	183,953	3,005	456,968	1,190,115
<i>Excess of Receipts Over (Under) Disbursements</i>	269,516	(104,857)	(3,005)	(319,735)	(158,081)
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	-	-	-	62,039	62,039
Transfers In	-	140,000	3,006	-	143,006
Transfers Out	(140,000)	(3,006)	-	-	(143,006)
<i>Total Other Financing Receipts (Disbursements)</i>	(140,000)	136,994	3,006	62,039	62,039
<i>Net Change in Fund Cash Balances</i>	129,516	32,137	1	(257,696)	(96,042)
<i>Fund Cash Balances, January 1</i>	642,827	80,394	4	277,126	1,000,351
Fund Cash Balances, December 31					
Nonspendable	631	-	-	-	631
Restricted	-	112,531	5	19,430	131,966
Assigned	98,784	-	-	-	98,784
Unassigned	672,928	-	-	-	672,928
<i>Fund Cash Balances, December 31</i>	\$ 772,343	\$ 112,531	\$ 5	\$ 19,430	\$ 904,309

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 (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 562,456	\$ -	\$ 562,456
Fines, Licenses and Permits	-	32,840	32,840
Miscellaneous	3,800	2,584	6,384
<i>Total Operating Cash Receipts</i>	566,256	35,424	601,680
Operating Cash Disbursements			
Personal Services	42,984	-	42,984
Employee Fringe Benefits	22,444	-	22,444
Contractual Services	208,331	-	208,331
Supplies and Materials	78,512	-	78,512
Other	-	2,584	2,584
Payments to Another Government	-	35,008	35,008
<i>Total Operating Cash Disbursements</i>	352,271	37,592	389,863
<i>Operating Income (Loss)</i>	213,985	(2,168)	211,817
Non-Operating Receipts (Disbursements)			
Earnings on Investments	4,602	-	4,602
Principal Retirement	(73,460)	-	(73,460)
Interest and Other Fiscal Charges	(943)	-	(943)
<i>Total Non-Operating Receipts (Disbursements)</i>	(69,801)	-	(69,801)
<i>Net Change in Fund Cash Balances</i>	144,184	(2,168)	142,016
<i>Fund Cash Balances, January 1</i>	1,447,977	4,047	1,452,024
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,592,161</u>	<u>\$ 1,879</u>	<u>\$ 1,594,040</u>

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 Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Smithville, Wayne County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including park operations, water and sewer operations, and police services.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a public risk entity pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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 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:

Street Fund The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the purpose of construction, maintenance, and repair of streets within the Village.

Debt Service Fund 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 The street debt service fund accounts for and reports the receipt of Street Fund transfers for the purpose of the repayment of a loan for a culvert replacement.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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:

Capital Improvement Fund The capital improvement fund accounts for and reports the receipt of donations, grants and loan proceeds for the purpose of constructing and improving capital within the Village.

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 The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include agency 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 passthrough grants.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. Council 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village' nonspendable balance includes unclaimed monies.

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 666,300	\$ 815,705	\$ 149,405
Special Revenue	215,475	219,096	3,621
Debt Service	3,006	3,006	-
Capital Projects	196,651	199,272	2,621
Enterprise	574,050	570,858	(3,192)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 723,632	\$ 686,315	\$ 37,317
Special Revenue	200,122	188,775	11,347
Debt Service	3,006	3,005	1
Capital Projects	472,223	456,968	15,255
Enterprise	533,503	447,674	85,829

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$ 1,296,055
Certificates of deposit	1,202,294
Total deposits	<u>\$ 2,498,349</u>

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.

Note 5 – Taxes

Property Taxes

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.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5% 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.

Note 6 - 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.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (continued)

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. 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 York. 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, 2016, 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	\$28,785,581

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

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.

<u>2016 Contributions to PEP</u> \$14,364
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Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (continued)

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's full-time police officers and full-time firefighters belong to the Ohio Police and Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

Social Security

The Village's part-time and volunteer firefighters contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2% during calendar year 2016. OP&F contributed 0.5% to fund these benefits during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan #CP07S	\$ 60,488	0.00%
OPWC Loan #CP11B	26,106	0.00%
OPWC Loan #CP11J	38,415	0.00%
OPWC Loan #CP26C	42,178	0.00%
OPWC Loan #CP26D	6,543	0.00%
OPWC Loan #CP29M	15,750	0.00%
Total	\$ 189,480	

In the prior year audit report, OPWC and OWDA principal outstanding amounts were overstated by one semiannual installment payment, due to the timing of the loan payments.

The Ohio Public Works Commission (OPWC) 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% through 2021.

The OPWC 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% through 2021.

The OPWC 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% through 2020.

The OPWC 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% through 2028.

The OPWC loan (CP29M) was approved up to \$63,000 for the Waste Water Influent Screen Replacement. The Village will repay the loan in semiannual installments of \$3,938, including interest at 0% through 2019.

The OPWC loan (CP07S) was approved up to \$62,039 for the David Avenue Drainage Improvements. The Village will repay the loan in semiannual installments of \$1,551, including interest at 0% through 2036.

The Village’s taxing authority collateralized the loans.

Village of Smithville
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (continued)

Amortization

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OPWC Loans</u>
2017	\$ 33,927
2018	33,927
2019	26,052
2020	22,322
2021	7,321
2022-2026	32,971
2027-2031	19,002
2032-2036	13,958
Total	<u>\$ 189,480</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Smithville, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 2, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Village of Smithville

Wayne County

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2017-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 2, 2018.

Entity's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

July 2, 2018

VILLAGE OF SMITHVILLE
WAYNE COUNTY

Schedule of Findings
December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-001 – Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2017, the Special Revenue Fund - Street Construction, Maintenance and Repair Fund's total appropriations exceeded total estimated resources by \$106,977.

The Fiscal Officer should monitor appropriations and estimated resources on a regular basis and make modifications accordingly.

Managements' Response:

See Corrective Action Plan

VILLAGE OF SMITHVILLE
WAYNE COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2017 and 2016

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2015-001	Material Weakness – Mayor’s Court Activity	Partially Corrected	Moved to management letter
2015-002	Material Weakness – Audit Adjustments and Reclassifications	Partially Corrected	Moved to management letter

VILLAGE OF SMITHVILLE
WAYNE COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Fiscal Officer will monitor appropriations and estimated resources on a regular basis and make modifications accordingly to ensure appropriations do not exceed estimated resources.	Immediately	Pamela Keener, Fiscal Officer

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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
AUGUST 23, 2018