



Mary Taylor, CPA
Auditor of State

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Smithfield
Jefferson County
PO Box 454
Smithfield, Ohio 43948

To the Village Council:

We have selectively tested accounts, financial records, files and reports of the Village of Smithfield, Jefferson County, (the Village) as of and for the years ended December 31, 2004 and 2003 following Ohio Administrative Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we do express no opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 24, 2008

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VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Total Cash Receipts	\$138,993	\$77,198	\$210	\$216,401
Cash Disbursements:				
Total Cash Disbursements	160,616	64,441	0	225,057
Total Receipts Over/(Under) Disbursements	(21,623)	12,757	210	(8,656)
Fund Cash Balances, January 1	48,647	(3,750)	28,514	73,411
Fund Cash Balances, December 31	<u>\$27,024</u>	<u>\$9,007</u>	<u>\$28,724</u>	<u>\$64,755</u>

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

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Total Operating Cash Receipts	<u>\$265,951</u>
Operating Cash Disbursements:	
Total Operating Cash Disbursements	<u>292,011</u>
Operating Income/(Loss)	<u>(26,060)</u>
Fund Cash Balances, January 1	<u>154,505</u>
Fund Cash Balances, December 31	<u><u>\$128,445</u></u>

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

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Total Cash Receipts	<u>125,906</u>	<u>63,624</u>	<u>280</u>	<u>189,810</u>
Cash Disbursements:				
Total Cash Disbursements	<u>90,338</u>	<u>69,667</u>	<u>0</u>	<u>160,005</u>
Total Receipts Over/(Under) Disbursements	<u>35,568</u>	<u>(6,043)</u>	<u>280</u>	<u>29,805</u>
Fund Cash Balances, January 1	<u>13,079</u>	<u>2,293</u>	<u>28,234</u>	<u>43,606</u>
Fund Cash Balances, December 31	<u>\$48,647</u>	<u>(\$3,750)</u>	<u>\$28,514</u>	<u>\$73,411</u>

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

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

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

	<u>Enterprise</u>
Cash Receipts:	
Total Cash Receipts	<u>\$275,174</u>
Cash Disbursements:	
Total Cash Disbursements	<u>310,659</u>
Operating Income/(Loss)	<u>(35,485)</u>
Fund Cash Balances, January 1	<u>189,990</u>
Fund Cash Balances, December 31	<u><u>\$154,505</u></u>

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

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Smithfield, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair, water and sewer utilities, park operations, and police services. The Village contracts with Smithfield Volunteer Fire Department for fire protection and emergency medical services.

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. Cash 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.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Fire Protection Fund- This fund receives levy monies to pay for the cost of fire protection services.

Police Salary Fund – This fund pays for the cost of police services.

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Perpetual Care Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

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

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

Debt Service Fund - This fund pays on bonds issued for construction of a sanitary sewer system.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. 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.

G. 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. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2000
Demand deposits	\$169,000	\$203,716
Certificates of deposit	24,200	24,200
Total deposits	<u>\$ 193,200</u>	<u>\$ 227,916</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$138,993	\$138,993
Special Revenue		77,198	77,198
Enterprise		265,951	265,951
Permanent		210	210
Total	\$0	\$482,352	\$482,352

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$160,616	(\$160,616)
Special Revenue		64,441	(64,441)
Enterprise		292,011	(292,011)
Permanent		0	0
Total	\$0	\$517,068	(\$517,068)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,758	\$125,906	\$7,148
Special Revenue	57,007	63,624	6,617
Enterprise	239,124	275,174	36,050
Permanent		280	280
Total	\$414,889	\$464,984	\$50,095

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$90,338	(\$90,338)
Special Revenue		69,667	(69,667)
Enterprise		310,659	(310,659)
Permanent		0	0
Total	\$0	\$470,664	(\$470,664)

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in 2003 in the General, Special Revenue, and Enterprise Funds by Funds by \$90,338, \$69,667 and \$310,659, respectively. In 2004, expenditures exceeded appropriations in the General, Special Revenue and Enterprise Funds by \$160,616, \$ 64,441 and \$ 292,011, respectively.

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

Also contrary to Ohio Revised Code Section 5705.10(H), in 2003 the Police Salary, Sewer Revenue, and Debt Reserve Funds had cash deficit balances of \$ 24,103, \$ 4,669, \$ 2,519, and \$42,079, respectively. In 2004, the Police Salary, Police Protection, and Debt Reserve Funds had cash deficit balances of \$ 29,798, \$ 5,811, and \$107,023, respectively.

Contrary to Ohio Revised Code Section 5705.38, in 2003 and 2004 the Village failed to pass an appropriation measure.

Contrary to Ohio Revised Code Section 5705.36, in 2004 the Village failed to certify available revenue to the County Auditor.

4. 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.

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

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$872,000	5.75%
General Obligation Notes	\$52,821	6.00%
Total	<u>\$924,821</u>	

The United States Department of Agriculture issued a rural development loan to the Village for the construction of a sanitary sewer system. The amount of the loan was \$1,009,000 and is to be repaid in annual installments through 2031. The loan is collateralized by future sewer receipts. The Village has three outstanding General Obligation Notes, which were issued for repairs of the water system, the purchase of a backhoe and the purchase of a police cruiser. The general obligation notes are collateralized by the Village's taxing authority.

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT - (Continued)

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

Year ending December 31:	USDA Loan	General Obligation Notes
2005	\$64,140	\$12,470
2006	64,335	12,470
2007	64,473	12,470
2008	64,552	9,290
2009	64,575	7,700
2010-2014	321,258	6,417
2015-2019	322,276	
2020-2024	322,137	
2025-2029	321,626	
2030-2031	128,235	
Total	<u>\$1,737,607</u>	<u>\$60,817</u>

6. RETIREMENT SYSTEMS

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2004 and 2003, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equaling 13.55% of participants' gross salaries. The Village has not paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal League Joint Self Insurance Pool (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT - (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003. (This is the most current information available)

	2004	2003		
Assets	\$2,390,150	\$1,811,340		
Liabilities	(3,424,271)	(3,653,142)		
Accumulated Deficit	(\$1,034,121)	(\$1,841,802)		

8. COMPLIANCE

Contrary to Ohio revised Code Section 733.28 and 733.43, the Village Clerk/Treasurer did not keep accurate records of the Village accounts.

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Village of Smithfield
Jefferson County
PO Box 454
Smithfield, Ohio 43948-0454

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Smithfield, Jefferson County, (the Village) as of and for the year ended December 31, 2004 and 2003, following Ohio Administrative Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, those matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2004-005 and 2004-006.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2004-001 through 2004-005.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 24, 2008

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**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2004-001

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures. The Village did not utilize the certification exceptions described above.

**FINDING NUMBER 2004-001
 (Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior to certification is not only required by statute but it is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2004-002

Ohio Revised Code Section 5705.10 (H) states that all money paid into a fund must be used for the purpose for which such fund has been established. A negative balance indicates that money from one fund was used to cover the expenses of another fund.

As of December 31, 2003, the following funds had deficit balances:

Fund	Deficit Balance
Police Salary	\$24,103
Police Protection	\$4,669
Sewer Revenue	\$2,519
Enterprise Debt Reserve	\$42,079

At December 31, 2004, the following funds had deficit balances:

Fund	Deficit Balance
Police Salary	\$29,798
Police Protection	\$5,811
Enterprise Debt Reserve	\$107,023

The Clerk/Treasurer should monitor all fund balances closely and should notify Council immediately if a fund is getting near a deficit level. The deficit balances should be examined by Village management and options to prevent deficit spending should be considered.

FINDING NUMBER 2004-003

Ohio Revised Code Section 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village did not adopt an appropriation measure for either 2004 or 2003 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Village in 2004 (\$517,068) and in 2003 (\$470,664) were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The Village should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to Council approved appropriations for each fund.

FINDING NUMBER 2004-003
(Continued)

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The Village should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to Council approved appropriations for each fund.

FINDING NUMBER 2004-004

Ohio Revised Code Section 5705.36 - states that on or about the first day of each fiscal year, the Clerk/Treasurer of each subdivision shall certify to the county auditor the total amount from all sources, which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year.

The Clerk/Treasurer did not file a certificate in 2004 showing the total amount from all sources available for expenditure and the balances existing at the end of the year with the County Auditor. Failure to file the certificate could result in appropriations exceeding the amounts of available resources. The Village clerk/Treasurer should certify to the county auditor the total amount from all sources to establish limits for council approved appropriations.

FINDING NUMBER 2004-005

Ohio Revised Code Section 733.28 states that the village clerk shall keep the books of the village, exhibit accurate statement of all moneys received and expended, of all the property owned by the village and income derived there from, and of all the taxes and assessments. **Ohio Revised Code Section 733.43** states that the treasurer of a municipal corporation shall keep an accurate account of all moneys received by him/her, showing the amount thereof, the time received, from whom and on what account received, and all disbursements made by him, showing the amount thereof, the time thereof, the time made, to whom, and on what account paid. **Ohio Revised Code Section 733.261(C)** states that the village clerk/treasurer shall perform the duties provided by law for the clerk and the treasurer.

The Village Clerk/Treasurer did not keep the books of the Village, and failed to exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and of income derived therefrom and of all taxes and assessments. The village clerk/treasurer did not record all monies received and expended by the Village during 2003 and 2004 and did not prepared a monthly bank to book reconciliations. There were several posting errors made which required adjustments to be made in order to bring the books into balance with the depository. Adjustments were made to the General Fund in 2003 for unrecorded receipts in the amount of \$2,639. Adjustments were made to the General Fund in 2004 for unrecorded expenditures in the amount of \$6,163. Adjustments were made to the General Fund for debt proceeds and expenditures in 2003 and 2004 for \$21,319 and \$38,995 respectively. The Village had a Recreation Fund which was not reflected on the Village books. The Village's financial statements and accounting records have been adjusted to reflect this activity.

The Clerk/Treasurer should record all financial activity of the Village in the receipts ledger, appropriation ledger and cash journal, as appropriate, so that accurate statements of all monies received and expended can be prepared. The Village clerk/Treasurer should perform monthly bank reconciliations. Periodically, financial statements and monthly bank reconciliations should be submitted to Council for review. These periodic reviews should be noted in the minutes and the reviewed documents should be initialed by the reviewer.

FINDING NUMBER 2004-006

Audit Committee

The Village has not established an audit committee. The primary functions of such a committee are to monitor and review the Village's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors. The village should establish an audit committee.

The Audit Committee should be actively involved in:

- Meeting with the Village's independent auditors before each audit:
- Monitoring the progress of the financial and compliance Audit:
- Evaluating the results of the financial and compliance audit: and
- Ensuring the internal control and legal compliance issues identified in the audit are promptly and effectively remedied

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Village's legal compliance, financial condition, and controls over the safeguarding of assets.

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Section 5705.41 (D).	No	Cited again as 2004-001
2002-002	ORC Section 5705.10	No	Cited again as 2004-002
2002-003	ORC Section 5705.38 and 5705.41 B	No	Cited again as 2004-003
2002-004	ORC Section 5307.36	No	Cited again as 2004-004
2002-005	ORC Section 733.28, 733.48	No	Cited again as 2004-005
2002-006	Establish an audit committee.	No	Cited again as 2004-006



Mary Taylor, CPA
Auditor of State

VILLAGE OF SMITHFIELD

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 18, 2008**