



Dave Yost • Auditor of State



VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY

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# Dave Yost • 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, 2009 and 2008 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.

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**Dave Yost**  
Auditor of State

September 28, 2011

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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, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Total Cash Receipts	\$117,759	\$99,094		\$216,853
<b>Cash Disbursements:</b>				
Total Cash Disbursements	119,998	142,069		262,067
Total Receipts Over/(Under) Disbursements	(2,239)	(42,975)		(45,214)
Fund Cash Balances, January 1	47,028	(12,192)	28,864	63,700
<b>Fund Cash Balances, December 31</b>	<b><u>\$44,789</u></b>	<b><u>(\$55,167)</u></b>	<b><u>\$28,864</u></b>	<b><u>\$18,486</u></b>

*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 AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Total Operating Cash Receipts	<u>\$386,956</u>		<u>\$386,956</u>
<b>Operating Cash Disbursements:</b>			
Total Operating Cash Disbursements	<u>323,636</u>		<u>\$323,636</u>
Operating Income/(Loss)	<u>63,320</u>		<u>\$63,320</u>
<b>Non Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		<u>36,204</u>	<u>\$36,204</u>
<b>Non Operating Cash Disbursements:</b>			
Other Non Operating Cash Disbursements		<u>24,429</u>	<u>24,429</u>
Non Operating Income/Loss		<u>11,775</u>	<u>11,775</u>
Fund Cash Balances, January 1	<u>17,387</u>	<u>11,768</u>	<u>29,155</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$80,707</u></b>	<b><u>23,543</u></b>	<b><u>104,250</u></b>

*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, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Total Cash Receipts	\$97,666	\$106,037		\$203,703
<b>Cash Disbursements:</b>				
Total Cash Disbursements	145,975	178,316		324,291
Total Receipts Over/(Under) Disbursements	(48,309)	(72,279)		(120,588)
Fund Cash Balances, January 1	95,337	60,087	\$28,864	184,288
<b>Fund Cash Balances, December 31</b>	<b><u>\$47,028</u></b>	<b><u>(\$12,192)</u></b>	<b><u>\$28,864</u></b>	<b><u>\$63,700</u></b>

*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 AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Total Operating Cash Receipts	<u>\$390,336</u>		<u>\$390,336</u>
<b>Operating Cash Disbursements:</b>			
Total Operating Cash Disbursements	<u>381,121</u>		<u>\$381,121</u>
Operating Income/(Loss)	<u>9,215</u>		<u>\$9,215</u>
<b>Non Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		<u>19,568</u>	<u>\$19,568</u>
<b>Non Operating Cash Disbursements:</b>			
Other Non Operating Cash Disbursements		<u>7800</u>	<u>\$7,800</u>
Non Operating Income/Loss		<u>11,768</u>	<u>\$11,768</u>
Fund Cash Balances, January 1	<u>8,172</u>		<u>\$8,172</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$17,387</u></b>	<b><u>11,768</u></b>	<b><u>\$29,155</u></b>

*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, 2009 and 2008**

**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:

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

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008  
(Continued)**

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

Police Protection Fund- This fund receives money from a levy to pay for the cost of police services.

Police Salary Fund – This fund receives money from a levy to pay 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 receives charges for services to pay on bonds issued for construction of a sanitary sewer system. .

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**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.

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008  
(Continued)**

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

**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 2009 and 2008 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:

	<b>2009</b>	<b>2008</b>
Deposits	\$93,872	\$63,991
Certificates of Deposit	28,864	28,864
<b>Total Deposits</b>	<b>\$122,736</b>	<b>\$92,855</b>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$117,759	\$117,759
Special Revenue		99,094	99,094
Enterprise		386,956	386,956
Total	\$0	\$603,809	\$603,809

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008  
(Continued)**

**3. BUDGETARY ACTIVITY - (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$119,998	(\$119,998)
Special Revenue		142,069	(142,069)
Enterprise		323,636	(323,636)
Total	\$0	\$585,703	(\$585,703)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$97,666	\$97,666
Special Revenue		106,037	106,037
Enterprise		390,336	390,336
Total	\$0	\$594,039	\$594,039

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$145,975	(\$145,975)
Special Revenue		178,316	(178,316)
Enterprise		381,121	(381,121)
Total	\$0	\$705,412	(\$705,412)

Contrary to Ohio Revised Code Sections 5705.41(B) 5705.38, all budgetary expenditures in all funds exceeded appropriation authority for the years ended December 31, 2009 and 2008.

Also contrary to Ohio Revised Code Section 5705.10(H), the following funds had deficit cash balances as scheduled below for the year ended December 31.

Fund	2009	2008
Street Maintenance	39,511	
Police Salary	74,969	47,704
Police Protection	37,089	29,320
Recreation	547	103
Canine	2,269	2,629
Water Revenue	210,189	151,707
Debt Reserve	101,965	105,265
Cemetery Operating		1,019

Contrary to Ohio Revised Code Section 5705.36, in 2009 and 2008 the Village failed to certify available revenue to the County Auditor.

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008  
(Continued)**

**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, 2009 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$810,000	5.75%
General Obligation Notes	\$7,465	5.00%
Total	\$817,465	

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 \$1,000,000 and is to be repaid in annual installments through 2032. The loan is collateralized by future sewer receipts. The Village has one outstanding General Obligation Note, which was issued for the purchase of a new village dump truck. The note was collateralized by the equipment that was purchased with said debt.

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

		<b>Promissory Note Dump Truck</b>
<b>Year ending December 31:</b>	<b>USDA Loan</b>	
2010	\$64,575	\$7,700
2011	64,540	
2012	63,448	
2013	65,355	
2014	64,090	
2015-2019	321,866	
2020-2024	322,200	
2025-2029	321,908	
2030-2032	192,125	
<b>Total</b>	<b>\$1,480,107</b>	<b>\$7,700</b>

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008  
(Continued)**

**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 2009 and 2008 OPERS members contributed an amount equaling 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, 2009.

**7. RISK MANAGEMENT**

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Government participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 60 members as of December 31, 2009. The Government does not participate in this coverage.



**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008  
(Continued)**

**7. RISK MANAGEMENT - (Continued)**

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008, and include amounts for both OPRM and OPHC:

	<b>2009 OPRM</b>	<b>2009 OPHC</b>	<b>2009</b>	<b>2008</b>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members' Equity	\$6,323,701	\$105,185	\$6,428,886	\$5,184,333

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. SUBSEQUENT EVENTS**

Currently, the Village is in arrears for the amounts due to the Ohio Public Employees Retirement System (OPERS). At the end the current audit period, the Village had paid all required contributions to OPERS and have since fallen behind in payments.

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# Dave Yost • 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 years ended December 31, 2009 and 2008 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 2009-11 and 2009-16 through 2009-18.

### **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 2009-01 through 2009-15.

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

Village of Smithfield  
Jefferson County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting And On Compliance And Other Matters

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

September 28, 2011

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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**FINDING NUMBER 2009-01**

**Finding for Recovery Unauthorized Payments**

**State ex rel. McClure v. Hagerman**, 155 Ohio St 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. As such, the decision to expend public funds must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2009 the Village Clerk/Treasurer, Sara Morris (Winski), compensated herself for performing contractual services for the police department without authorization from the legislative body of the Village. These contractual service payments were made without proper authorization from the legislative body and therefore, do not constitute a proper public purpose. The following is a list of unauthorized payments made to Sara Morris (Winski) for contractual work performed during 2009.

<b>Check #</b>	<b>Check Date</b>	<b>Check Amount</b>
16705	1/26/09	\$1,200
17255	6/15/09	\$600
17304	7/23/09	\$500
17358	8/11/09	\$400
<b>Total</b>		<b>\$2,700</b>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, *State ex rel. Village of Linndale v. Mastern* (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att’y Gen. No. 80-074.24.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Sara Morris (Winski) in the amount of \$2,700 and in favor of the Police Protection Fund of the Village of Smithfield.

### FINDING NUMBER 2009-02

#### Finding for Recovery – Water and Sewer Receipts

**Ohio Rev. Code Section 9.39** provides that public officials are liable for all public money received or collected by them or by their subordinates under color of office. The Village Water and Sewer Clerk has sole control over billing, collecting, and depositing water and sewer monies. For the time period of January 1, 2008 to April 12, 2010, Katherine Staten was the Village Water and Sewer Clerk.

From September 2008 through April 12, 2010, some of the revenue collected for water and sewer charges for services was not deposited into the Village collection account and subsequently, into the Village depository. Ms. Staten was otherwise unable to account for the missing funds .

While Ms. Staten did post the payments to customer accounts, she did not subsequently deposit the funds into the Village Water and Sewer Collection account.

The amounts collected and not deposited are scheduled below:

Fiscal Year 2008	\$6,069
Fiscal Year 2009	\$25,289
1/1/10 To 4/12/10	\$6,497
	\$37,855

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, State ex rel. Village of Linndale v. Mastern (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att’y Gen. No. 80-074.24.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Katherine Staten, former Water and Sewer Clerk, and Travelers Casualty and Surety Company, her bonding company, jointly and severally, for \$37,855 and in favor of the Village Water and Sewer Funds. On April 26, 2010 Katherine Staten repaid funds to the Village in the amount of \$30,000, leaving an unpaid amount of \$7,855.

### FINDING NUMBER 2009-03

#### Finding for Recovery – Mayor’s Court Receipts

**Ohio Rev. Code Section 9.39** provides that public officials are liable for all public money received or collected by them or by their subordinates under color of office. The Mayor’s Court Clerk is responsible for collecting, recording, and depositing Mayor’s Court receipts. For the time period of April 1, 2008 through March 30, 2010, Sara Morris (Winski) was the Mayor’s Court Clerk.

Monies collected on behalf of the Mayor’s Court were not always deposited with the Village depository. Amounts found to have been collected and not deposited were as follows:

**FINDING NUMBER 2009-03  
 (Continued)**

2008	2009	2010	Total
\$2,554	\$5,379	\$1,251	\$9,184
500	837	650	1,987
\$3,054	\$6,216	\$3,911	\$11,171

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, State ex rel. Village of Linndale v. Mastern (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att’y Gen. No. 80-074.24.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Sara Morris (Winski), Mayor’s Court Clerk, for \$ 11,171 and in favor of the Mayor’s Court fund.

**FINDING NUMBER 2009-04**

**Finding for Recovery - Water/Sewer Receipts**

**Ohio Rev. Code Section 9.39** provides that public officials are liable for all public money received or collected by them or by their subordinates under color of office. The Village Water and Sewer Clerk has sole control over the billing, collecting, and depositing water and sewer monies. For the time period of April 12, 2010 to July 11, 2010, Debbie Cihon was acting Village Water and Sewer Clerk and she was officially appointed to the position on July 12, 2010.

From May 2010 through July 2010, some of the revenue collected for water and sewer charges for services was not accounted for, was not deposited into the Village collection account and subsequently, was not deposited into the Village’s account. Ms. Cihon did not otherwise account for these funds.

The Clerk posted payments to customer accounts but did not deposit the payments into the Village Water and Sewer collection account.

The amount of funds collected and not deposited for this time period was \$1,318.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, State ex rel. Village of Linndale v. Mastern (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att’y Gen. No. 80-074.24.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Debbie Cihon, Water and Sewer Clerk for \$1,318 and in favor of the Village Water and Sewer Funds.

**FINDING NUMBER 2009-05**

**Finding for Recovery – Unsupported Reimbursements**

**Ohio Revised Code Section 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

Additionally, all expenditures made by a governmental entity are required to serve a proper public purpose. **State ex. Rel. McClure v. Hagerman**, 155 Ohio St. 320 (1951). This determination is be prospective in nature, is to be made by the legislative authority of the entity, and will be upheld unless found to be arbitrary or unreasonable. See **OAG 82-006, Auditor of State Bulletins 2003-005, 2004-002**.

The Village Clerk/Treasurer, Sara Morris (Winski), issued several checks to herself during 2008 and 2009. The check memos indicated reimbursement for office supplies, hotel expenses, digital camera for police department, and other undisclosed reimbursements; however, no evidence was presented to substantiate the validity of the reimbursements. Purchase orders for these purchases had not been prepared and invoices for the expenditures were not available. The following is a list of the unsupported reimbursements:

Check #	Check Date	Check Amount	Portion Not Supported
3776	3/28/08	\$131	\$131
16024	2/12/08	\$1,118	\$60
16084	3/13/08	\$118	\$118
16087	3/13/08	\$322	\$125
16532	10/23/08	\$245	\$245
16838	3/16/09	\$75	\$75
<b>Total</b>			<b>\$754</b>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, State ex rel. *Village of Linndale v. Mastern* (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att’y Gen. No. 80-074.24.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Sara Morris (Winski) in the amount of \$754 and in favor of the General Fund of the Village of Smithfield.



**FINDING NUMBER 2009-06**

**Finding for Recovery – Unsupported Expenditures**

**Ohio Revised Code Section 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

Additionally, all expenditures made by a governmental entity are required to serve a proper public purpose. **State ex. Rel. McClure v. Hagerman**, 155 Ohio St. 320 (1951). This determination is be prospective in nature, is to be made by the legislative authority of the entity, and will be upheld unless found to be arbitrary or unreasonable. See **OAG 82-006, Auditor of State Bulletins 2003-005, 2004-002**.

The Village Clerk/Treasurer Sara Morris (Winski) issued several checks for unsupported expenditures and there were several unsupported debit card transactions recorded on the Village's bank statements. Some checks, as noted below, included an explanation for the expenditure in the memo line on the check. The bank statement indicated that the debit card used for the transactions listed below was the card issued to Ms. Morris. There was no supporting documentation, such as an invoice, or purchase order for any of the expenditures noted below.

Check #	Date	Payee	Amount	Comment
3809	5/1/2008	Walmart	\$239	Unknown
16081	3/3/2008	Dollar General	\$37	Voided check that cleared the bank. Unknown purpose.
16266	4/21/2008	Cash	\$2,685	Memo states cash for money order to pay police dog trainer.
16267	4/21/2008	Cash	\$290	Memo states cash for mayor's court.
16285	5/1/2008	Lowes	\$279	Voided check that cleared. Memo states for 100 bags of sakrete.
17350	8/5/2009	Super C	\$235	Remittance stub states Cemetery Workers.
		<b>Total Checks</b>	<b>\$3,765</b>	

**FINDING NUMBER 2009-06  
 (Continued)**

Debit card transactions for which the purposes could not be validated.

<b>Date</b>	<b>Payee</b>	<b>Amount</b>
1/5/2009	Intuit Software	\$256
12/7/2009	Office Max	\$141
5/19/2009	Papa John's Pizza	\$28
8/27/2009	Papa John's Pizza	\$25
6/3/2009	Walmart	\$73
9/8/2009	Walmart	\$23
9/8/2009	Walmart	\$25
12/16/2009	Walmart	\$25
	<b>Total Debit Card</b>	<b>\$596</b>

The total unsupported checks and unsupported debit card transaction is \$4,361.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074, Ohio Rev. Code Section 9.39, State ex rel. *Village of Linndale v. Mastern* (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att'y Gen. No. 80-074.24.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Sara Morris (Winski) in the amount of \$4,361 and in favor of the General Fund of the Village of Smithfield.

**FINDING NUMBER 2009-07**

**Finding for Recovery – Unsupported Expenditures**

**Ohio Revised Code Section 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

Additionally, all expenditures made by a governmental entity are required to serve a proper public purpose. **State ex. Rel. McClure v. Hagerman**, 155 Ohio St. 320 (1951). This determination is prospective in nature, is to be made by the legislative authority of the entity, and will be upheld unless found to be arbitrary or unreasonable. See **OAG 82-006, Auditor of State Bulletins 2003-005, 2004-002**.

**FINDING NUMBER 2009-07  
 (Continued)**

The Village Mayor Patricia Freeland issued one check and had three unsupported Debit Card transactions to various vendors during the years of 2008 and 2009. The check memo indicated the expenditure purpose but the debit card expenditures were for unknown purposes; no evidence was presented to substantiate the validity of the expenditure. The bank statement indicated that the debit card used for the transactions listed below was the card issued to Ms. Freeland. There was no supporting documentation, such as an invoice, or purchase order for any of the expenditures noted below.

Transaction Type	Date	Payee	Amount	Comment
Warrant #16444	8/20/2008	Lowes	\$429	Memo states electric upgrade.
Debit Card	12/19/2008	Office Max	\$150	Unknown
Debit Card	7/27/2009	Walmart	\$34	Unknown
Debit Card	9/18/2009	Wesco	\$134	Unknown
<b>Total</b>			<b>\$747</b>	

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Patricia Freeland in the amount of \$747 and in favor of the General Fund of the Village of Smithfield. Mayor Freeland was bonded for year 2009. As such, her bonding company, Travelers Casualty and Surety Company, is jointly and severally liable for \$747, the amount of Mayor Freeland's unsupported expenditures during that year.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074, Ohio Rev. Code Section 9.39, State ex rel. Village of Linndale v. Mastern (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att'y Gen. No. 80-074.24.

Accordingly, Sara Morris (Winski), Village Clerk/Treasurer, is also jointly and severally liable for \$747.

**FINDING NUMBER 2009-08**

**Finding for Recovery – Overpayment of Compensation**

**Village Resolution 95-10 Section 2** states that the annual compensation of the Village Clerk/Treasurer is be set at \$7,800 or \$650 per month. In addition, the Clerk/Treasurer shall also serve as the Mayor's Court Clerk for the annual compensation of \$7,800 or \$650 per month. The combined annual salary for both positions has been set at \$15,600 or \$1,300 per month. For fiscal year 2009, Sara Winski performed the duties of both positions and was paid \$17,040, which is an overpayment of \$1,440.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Sara Winski in the amount of \$1,440 and in favor of the General Fund.

## FINDING NUMBER 2009-09

### Noncompliance Citation

**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 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 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 for Villages the clerk/treasurer may authorize payment through a Then and Now Certificate without affirmation of the council if such expenditure is otherwise valid.

2. **Blanket Certificate** – The fiscal officer 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. 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 Clerk/Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Clerk/Treasurer did not properly certify or record the amount against the applicable appropriation accounts for 100% of all tested expenditures. Furthermore, none of the exceptions described above were used by the Village.

**FINDING NUMBER 2009-09  
(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 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.

The Village should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2009-10**

**Noncompliance Citation**

**Ohio Revised Code Section 149.351** establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code § 149.38 to 149.42.

The elected officials and employees did not retain records in accordance with the aforementioned provisions. Various items such as vouchers, invoices, purchase orders, reconciliations, mayors court records, water department ledgers, and minutes had been lost or destroyed and were not available for inspection.

The elected officials and employees should maintain all records as required by the Ohio Revised Code.

**FINDING NUMBER 2009-11**

**Noncompliance Citation/Material Weakness**

**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, 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.

**FINDING NUMBER 2009-11  
(Continued)**

The Clerk/Treasurer did not accurately keep the books of the Village, and failed to exhibit accurate statements of moneys received and expended, and of all the property owned by the Village of income derived there from and of all taxes and assessments. The Village Clerk/Treasurer did not record all monies received and expended in 2009 and 2008 and did not prepare monthly bank to book reconciliations. There were several posting errors that were required to bring the books into balance with the depository.

The Clerk/Treasurer should record all the 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 2009-12**

**Noncompliance Citation**

**Ohio Revised Code Section 9.38** requires that all monies collected under the color of office, or monies collected by a public officer or employee shall be deposited with the treasurer or said depository of the taxing district the next business day following the day of receipt.

Monies collected by the Clerk Treasurer were not always deposited in a timely manner. It was common practice for monies to be held for a week prior to being deposited. In some case they were held for a period of up to three weeks. In addition, monies collected by the Water and Sewer department were not always deposited in a timely manner and were held for a period of up to a week.

As cash is the asset most susceptible to theft, the Village should take adequate measures to safeguard cash. Monies should be deposited with the designated depository within a reasonable period of time after collection. If monies must be held prior to depositing, they should be kept in a locked safe until such deposit can be made. In addition, when monies are held and not deposited, it increases the complexity of the monthly reconciling process and the possibility of errors.

**FINDING NUMBER 2009-13**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.36** states that on or about the first day of each fiscal year, the fiscal officer 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 unencumbered balances that existed at the end of the preceding year.

The Clerk/Treasurer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the county auditor for 2008 and 2009. 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 2009-14**

**Noncompliance Citation**

**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 Council did not adopt an appropriation measure for either 2008 or 2009 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Village in 2008 (\$713,212) and 2009 (\$594,113) 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 2009-15**

**Noncompliance Citation**

**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 another fund(s) has been used to pay the obligations the funds with deficit cash balances.

As of December 31, 2008, the following funds had deficit cash balances:

<b>Fund</b>	<b>Deficit Balance</b>
Police Salary	\$47,704
Police Protection	\$29,320
Recreation	\$103
Canine	\$2,629
Water Revenue	\$151,707
Debt Reserve	\$105,265
Cemetery Operating	\$1,019

As of December 31, 2009, the following funds had deficit cash balances:

<b>Fund</b>	<b>Deficit Balance</b>
Street Construction Maintenance And Repair	\$39,511
Police Salary	\$74,969
Police Protection	\$37,089
Recreation	\$547
Canine	\$2,629
Water Revenue	\$210,189
Debt Reserve	\$101,965

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 2009-16**

**Material Weakness**

**Proper Posting of Receipts**

The Village did not post some receipts to the correct fund(s), which resulted in adjustments to the financial statements. The Village has agreed to the adjustments and the corrected amounts are reflected in the accompanying financial statements

**2008**

Revenue Type	Fund	Amount	Description
Personal Property Taxes Manufactured Home Taxes	General	\$721	Should have been posted to: Police Protection \$97 EMS \$155 Police Salary \$217 Fire \$252
Homestead/Rollback	General	\$10,850	Should have been posted to: Police Protection \$1,063 EMS \$2,127 Police Salary \$4,255 Fire \$3,405
Senate Bill 3	General	\$439.	Should have been posted to: Police Protection \$146 EMS \$110 Fire \$183

House Bill 66	General Police Salary EMS Fire	\$46 \$15 \$12 \$21	\$94 should have been posted to Police Protection
Estate Tax	General	\$5,330	Should have been posted to: Police Protection \$1,873 EMS \$1,119 Police Salary \$1,139 Fire \$1.199
Auto Registration	General	\$334	Should have been posted to: Street CM&R \$302 State Highway \$32
Gasoline Taxes	State Highway	\$7,604	This amount should have been posted Street CM&R



**FINDING NUMBER 2009-16  
 (Continued)**

**2009**

Personal Property Taxes Manufactured Home Tax	General	\$536	Should have been posted to: Police Protection \$71 EMS \$114 Police Salary \$167 Fire \$184
Homestead/Rollback	General	\$11,132	Should have been posted to: Police Protection \$1,072 EMS \$3,492 Police Salary \$2,183 Fire \$4,365
Senate Bill 3	General	\$439	Should have been posted to: EMS \$110 Police Salary \$146 Fire \$183
House Bill 66	General, Police Protection	\$554	Should have been posted to: EMS \$123 Police Salary \$226 Fire \$205
Auto Registration	State Highway	\$434	Should have been posted to Street CM&R
Gasoline Taxes	State Highway	\$8,171	Should have been posted to Street CM&R

Failure to consistently and correctly post all transactions increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. In addition, the Village should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

**FINDING NUMBER 2009-17**

**Material Weakness**

**Audit Committee**

The Village has not established an audit committee. The primary functions of such a committee are monitoring and reviewing the Village's accounting and financial reporting practices, and to following up on citations and recommendations made by its auditors.

The Village should establish an audit committee and duties of the committee should include but not limited to:

- 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 to safeguard Village assets.

**FINDING NUMBER 2009-18**

**Material Weakness**

**Reconciliation Process**

Ohio Administrative Code Section 117-2-02(B)(1) and (2) requires the government's internal controls to reasonably assure that recorded transactions have occurred and are not fictitious and that transactions that should be included in the financial records are included.

Accurate monthly bank to book reconciliations could not be prepared as several transactions were not recorded in the Village's accounting records. In order to present accurate cash reconciliations and accurate financial statements, the following adjustments are reflected in the accompanying financial statements.

**2009**

<b>Fund</b>	<b>Revenue</b>	<b>Expenditures</b>
General	\$150	\$781
Street Construction, Maintenance & Repair	\$660	
State Highway	\$54	
Permissive Tax	\$348	
Police Salary		\$1,120
Police Protection	\$16	
Water Revenue		(\$320)
Sewer Revenue		(\$320)
Cemetery Operating	\$440	
Debt Service	\$60,631	
Debt Reserve	\$3,300	

**2008**

<b>Fund</b>	<b>Revenue</b>	<b>Expenditures</b>
General	\$4,925	\$5,065
Street Construction, Maintenance & Repair	\$845	
State Highway	\$68	
Police Salary	\$78	
Police Protection	\$44	\$120
Fire Levy	\$111	
EMS Levy	\$67	
Water Revenue	\$16,933	\$270
Sewer Revenue	\$8,825	\$270
Debt Service	\$64,128	\$64,560
Debt Reserve	\$600	
Water Guarantee	\$80	
Sewer Guarantee	\$70	
Cemetery Operating	\$4,508	(\$23)
Mayor's Court	\$5,236	

**FINDING NUMBER 2009-18**  
**(Continued)**

The Village Clerk/Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances between the bank balance and the book balance should be investigated, documented and corrected, if appropriate. Failure to consistently post all transactions increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to enable to the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. In addition, the Village Council should review the monthly cash reconciliations, the support for the reconciliations and document the reviews.

**Officials' Response**

A copy of this report was provided to the fiscal officer, council members, the water board clerk and the mayor. We are in agreement to correct these problems through education, communication and open access.

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**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 and 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2007-001	Ohio Revised Code Section 5705.41(D)	No	Cited again as 2009-001
2007-002	Ohio Revised Code Section 5705.10(H)	No	Cited again as 2009-007
2007-003	Ohio Revised code Section 5705.38 and 5705.41(B)	No	Cited again as 2009-006
2007-004	Ohio Revised Code Section 5705.36	No	Cited again as 2009-005
2007-005	Ohio Revised Code Section 733-28	No	Cited again as 2009-003
2007-006	Audit Committee	No	Cited again as 2009-012
2007-007	Water and Sewer Clearing Account	No	Cited again as part of 2009-011

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# Dave Yost • 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  
DECEMBER 20, 2011**