



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Smithfield
Jefferson County
P.O. Box 454
1347 Main Street
Smithfield, Ohio 43948-0454

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithfield, Jefferson County, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Village operated a COPS Grant during 2000 and 1999 and that activity and resulting balance are not recorded in the accompanying financial statements. Under the basis of accounting described in Note 1, the COPS Grant Fund, should be included in the Special Revenue Fund Type combined statement of cash receipts, cash disbursements and cash balances. The amounts that should be reported cannot be reasonably determined due to the unavailability of records as the U.S Department of Justice is in possession of the COPS Grant records.

In our opinion, except for the omission of the COPS Grant Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Smithfield, Jefferson County, as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

October 9, 2002

**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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$34,975	\$38,797	\$73,772
Intergovernmental	32,552	32,167	64,719
Fines, Licenses, and Permits	9,031	100	9,131
Other Revenue	2,181	5	2,186
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	78,739	71,069	149,808
Cash Disbursements:			
Current:			
Security of Persons and Property	17,638	45,676	63,314
General Government	55,387	753	56,140
Public Health Services	464		464
Leisure Time Activities	1,118	5,604	6,722
Community Environment	246		246
Transportation	4,261	27,740	32,001
Debt Payments	19,521	1,602	21,123
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	98,635	81,375	180,010
Total Receipts Over/(Under) Disbursements	<hr/> (19,896)	<hr/> (10,306)	<hr/> (30,202)
Other Financing Receipts/(Disbursements):			
Transfers-In	<hr/> 1,197	<hr/>	<hr/> 1,197
Total Other Financing Receipts/(Disbursements)	<hr/> 1,197	<hr/>	<hr/> 1,197
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/> (18,699)	<hr/> (10,306)	<hr/> (29,005)
Fund Cash Balances, January 1	<hr/> (9,273)	<hr/> (12,527)	<hr/> (21,800)
Fund Cash Balances, December 31	<hr/> (\$27,972)	<hr/> (\$22,833)	<hr/> (\$50,805)

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$325,013			\$325,013
Miscellaneous	5,445	\$595		6,040
Total Operating Cash Receipts	330,458	595		331,053
Operating Cash Disbursements:				
Personal Services	56,982			56,982
Contractual Services	97,068			97,068
Supplies and Materials	15,160			15,160
Capital Outlay	10,214			10,214
Total Operating Cash Disbursements	179,424			179,424
Operating Income/(Loss)	151,034	595		151,629
Non-Operating Cash Disbursements:				
Debt Service	174,450			174,450
Other Non-Operating Cash Disbursements	7,744			7,744
Total Non-Operating Cash Disbursements	182,194			182,194
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(31,160)	595		(30,565)
Transfers-Out			(\$1,197)	(1,197)
Net Receipts Over/(Under) Disbursements	(31,160)	595	(1,197)	(31,762)
Fund Cash Balances, January 1	183,108	27,114	\$1,197	211,419
Fund Cash Balances, December 31	\$151,948	\$27,709		\$179,657

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, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$36,458	\$36,097	\$72,555
Intergovernmental	39,277	40,275	79,552
Fines, Forfeitures, and Penalties	470		470
Miscellaneous	3,371		3,371
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	79,576	76,372	155,948
Cash Disbursements:			
Current:			
Payroll	24,361	28,090	52,451
Non-Payroll	79,564	66,657	146,221
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	103,925	94,747	198,672
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(24,349)	(18,375)	(42,724)
Other Financing Receipts/(Disbursements):			
Transfers-In	3,408		3,408
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	3,408		3,408
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,941)	(18,375)	(39,316)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	11,668	5,848	17,516
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$9,273)</u>	<u>(\$12,527)</u>	<u>(\$21,800)</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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$270,530		\$8,725	\$279,255
Miscellaneous	20,436	\$525	2,659	23,620
Total Operating Cash Receipts	<u>290,966</u>	<u>525</u>	<u>11,384</u>	<u>302,875</u>
Operating Cash Disbursements:				
Payroll	44,648		796	45,444
Non-Payroll	233,193		10,332	243,525
Total Operating Cash Disbursements	<u>277,841</u>		<u>11,128</u>	<u>288,969</u>
Operating Income/(Loss)	<u>13,125</u>	<u>525</u>	<u>256</u>	<u>13,906</u>
Transfers-Out	<u>(3,408)</u>			<u>(3,408)</u>
Net Receipts Over/(Under) Disbursements	9,717	525	256	10,498
Fund Cash Balances, January 1	<u>173,391</u>	<u>26,589</u>	<u>941</u>	<u>200,921</u>
Fund Cash Balances, December 31	<u>\$183,108</u>	<u>\$27,114</u>	<u>\$1,197</u>	<u>\$211,419</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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Smithfield, Jefferson County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance and repair, water and sewer utilities, park operations, and police services. The Village contracts with the Smithfield Volunteer Fire Department to provide fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Cemetery Perpetual Care Fund - This fund receives investment earnings which can be used for cemetery maintenance costs.

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 level of control, and appropriations may not exceed estimated resources. The 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, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments as required by ORC § 5705.41 (D).

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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

	2000	1999
Demand deposits	\$ 104,152	\$ 164,919
Certificates of deposit	24,700	24,700
Total deposits	\$ 128,852	\$189,619

Deposits: Deposits are either 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 ended December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$119,933	\$119,933
Special Revenue	0	71,069	71,069
Enterprise	0	330,458	330,458
Fiduciary	0	595	595
Total	\$0	\$522,055	\$522,055

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$138,632	(\$138,632)
Special Revenue	0	81,375	(81,375)
Enterprise	0	361,618	(361,618)
Fiduciary	0	0	0
Total	\$0	\$581,625	(\$581,625)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,072	\$149,882	\$30,810
Special Revenue	126,548	76,372	(50,176)
Enterprise	244,174	290,966	46,792
Fiduciary	10,600	525	(10,075)
Total	\$500,394	\$517,745	\$17,351

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,063	\$170,823	(\$70,760)
Special Revenue	120,597	94,747	25,850
Enterprise	300,372	281,249	19,123
Fiduciary	18,510	0	18,510
Total	\$539,542	\$546,819	(\$7,277)

The Village Council did not approve an appropriation measure for fiscal year 2000 and budgetary expenditures exceeded appropriation authority in the General Fund by \$70,760 in 1999, contrary to ORC § 5705.38 and ORC § 5705.41 (B), respectively. The Village did not submit a certificate of ending balances for fiscal year 2000 as required by ORC § 5705.36.

Also, contrary to Ohio law, at December 31, 2000 and December 31, 1999, the following funds had cash deficit balances:

	2000	1999
General Fund	\$27,972	\$9,273
Street Construction, Maintenance and Repair Fund	\$21,309	\$19,979
Permissive Tax Fund	\$6,447	\$4,992
Police Salary Fund	\$6,225	\$2,945
Police Protection Fund	\$1,328	

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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, 2000 was as follows:

	Principal	Interest Rate
USDA Loan - Rural Development	\$922,000	5.75%
General Obligation Notes	27,779	6.00%
Total	\$949,779	

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 back hoe and the purchase of a police cruiser. All of the general obligation notes are collateralized by the Village's taxing authority.

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

Year ending December 31:	USDA Loan	General Obligation Notes
2001	\$65,015	\$10,024
2002	64,325	9,997
2003	63,635	9,028
2004	64,945	2,255
2005	64,410	
2006 - 2010	323,475	
2011 - 2015	321,221	
2016 - 2020	322,316	
2021 - 2031	707,545	
Total	\$1,996,887	\$31,304

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% during 1999 and 10.84% during 2000 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Village of Smithfield
Jefferson County
P.O. Box 454
1347 Main Street
Smithfield, Ohio 43948-0454

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithfield (the Village) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated October 9, 2002, in which we noted the COPS Grant Fund has been excluded from the financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-31241-001 through 2000-3124-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 9, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1000-31241-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 9, 2002.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large loop at the end of the name.

Jim Petro
Auditor of State

October 9, 2002

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-31241-001

Ohio Revised Code § 733.28 and 733.45 provide that the village clerk/treasurer shall keep the books of the village, exhibit accurate statements of all monies received and expended on behalf of the village, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments. The clerk/treasurer shall keep an accurate record of all moneys received by him/her, showing the amount thereof, from whom and on which account received. The clerk/treasurer shall keep an accurate account of all disbursements made by him/her, showing the amount thereof, to whom and on what account paid. The books shall be arranged so the amounts received and the amounts paid on account be exhibited in separate accounts.

The Clerk/Treasurer did not record all moneys received and expended by the Village during 1999 and there were several posting errors that did not effect fund balances, but which required adjustment or reclassification. Also, during 2000 and 1999, the Recreation Fund and the COPS Grant Fund checking accounts were in a Council member's name and not in the name of the Village and the Clerk/Treasurer and these funds were not on the Village ledgers.

The Clerk/Treasurer should record all financial activity of the Village in the receipts ledger, appropriation ledger and the cash journal, as appropriate, so that accurate statements of all moneys received and expended can be prepared. Periodically, financial reports including all activity of the Village should be submitted to Council for review. Failure to post all financial activity to the Village ledgers resulted in several errors on the annual financial statements. As a result of recording the Recreation Fund, the most significant adjustment made by the Village and included in the accompanying financial statements, the Special Revenue Type ending balance at December 31, 2000 increased by 10%. However, due to the unavailability of records, no adjustments were made for the COPS Grant Fund.

FINDING NUMBER 2000-31241-002

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In fiscal year 2000, no appropriations were adopted for any expenditures, therefore, all expenditures exceeded appropriations and in 1999 41% of General Fund expenditures exceeded appropriations.

The Village Clerk/Treasurer should monitor expenditures by comparing the expenditures to appropriations and should approach Village Council for amendments to the original appropriations as necessary to guard against overspending.

FINDING NUMBER 2000-31241-003

Ohio Revised Code § 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

The Village did not pass an appropriation measure for meeting expenditures for fiscal year 2000. Failure to appropriate expenditures reduces the Village's budgetary control over the expenditure cycle. To maintain control for budgetary compliance and the expenditure cycle, the Village should approve appropriations to cover all Village expenditures.

FINDING NUMBER 2000-31241-004

Ohio Revised Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. 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 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.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council.

During 2000, 55% and during 1999, 52% of the liabilities, contracts, or open purchase commitments tested were not certified by the fiscal officer prior to the purchase and were not encumbered until the time of payment and neither of the exceptions provided were utilized by the Village.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Prior to making a commitment, the Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized.

FINDING NUMBER 2000-31241-005

Ohio Revised Code § 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of a subdivision is to 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.

For fiscal year 2000, 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. Failure to file the certificate could result in appropriations exceeding the amounts of available resources. The Clerk/Treasurer should use a calendar with all applicable budgetary dates as a reminder to file required documents with the county auditor.

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

FINDING NUMBER 2000-31241-006

Ohio Revised Code § 5705.10 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, 2000 and 1999 the following funds had deficit cash balances:

	2000	1999
General Fund	\$27,972	\$9,273
Street Construction, Maintenance and Repair Fund	\$21,309	\$19,979
Permissive Tax Fund	\$6,447	\$4,992
Police Salary Fund	\$6,225	\$2,945
Police Protection Fund	\$1,328	

The common practice of the Village Council has been to approve General Fund expenditures, which contain costs that should be charged to other funds. Some equipment purchases and some general operating services have been used for street maintenance and for providing water and sewer utility services but have been charged to the General Fund. The cost of purchased goods and services that benefit more than one fund should be allocated to such funds. By allocating costs to funds that have incurred specific costs, the Village management will have a true account of the cost of providing certain services and the deficit balance of the General Fund should be reduced and possibly eliminated.

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.

**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-31241-001	A finding for recovery was issued against a council woman for COPS grant funds that had not been used for proper public purpose.	No	The U.S. Department of Justice is reviewing the COPS Grant Fund activity.
1998-31241-002	ORC § 733.28 and 733.45 The Clerk/Treasurer did not account for all activity of the Village.	No	Repeated in the current GAGAS report.
1998-31241-003	ORC § 117.38 The Village did not file its annual report.	No	Partially Corrected; Issued in the current year management letter
1998-31241-004	ORC § 5705.41(B) Expenditures exceeded appropriations in several funds.	No	Repeated in the current GAGAS report.
1998-31241-005	ORC § 5705.41(D) A certificate of the fiscal officer was not attached to all expenditures	No	Repeated in the current GAGAS report
1998-31241-006	There should be some supervisory review of financial records.	No	Partially corrected: Issued in the current management letter
1998-31241-007	Source documentation for many expenditures was not available.	No	Partially corrected: Issued in the current management letter
1998-31241-008	The Village Clerk/Treasurer did not maintain accurate and complete accounting records.	No	Partially corrected: Issued in the current management letter
1998-31241-009	The Village did not had not established an audit committee	No	Partially corrected: The minutes have indicated that the Council intends to form an audit committee. Issued in the current management letter.
1998-31241-010	Estimated receipts exceeded actual receipts in several funds.	Yes	
1998-31241-011	Purchase orders and vouchers were not always signed to signify approval of the expenditure.	Yes	



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OFFICE OF THE AUDITOR

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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 19, 2002**