



Dave Yost • Auditor of State



VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

## 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 year ended December 31, 2010 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

November 3, 2014

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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, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Total Cash Receipts	<u>\$128,570</u>	<u>\$108,229</u>	<u>\$565</u>	<u>\$236,799</u>
<b>Cash Disbursements:</b>				
Total Cash Disbursements	<u>156,505</u>	<u>128,789</u>		<u>285,294</u>
Total Receipts Over/(Under) Disbursements	<u>(27,935)</u>	<u>(20,560)</u>	<u>565</u>	<u>(47,930)</u>
Fund Cash Balances, January 1	<u>44,789</u>	<u>(55,167)</u>	<u>28,864</u>	<u>18,486</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$16,854</u></b>	<b><u>(\$75,727)</u></b>	<b><u>\$29,429</u></b>	<b><u>(\$29,444)</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, 2010**

	<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>\$441,973</u>	<u></u>	<u>\$441,973</u>
<b>Operating Cash Disbursements:</b>			
Total Operating Cash Disbursements	<u>423,457</u>	<u></u>	<u>423,457</u>
Operating Income/(Loss)	<u>18,516</u>	<u></u>	<u>18,516</u>
<b>Non Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts	<u></u>	<u>\$28,970</u>	<u>28,970</u>
<b>Non Operating Cash Disbursements:</b>			
Other Non Operating Cash Disbursements	<u></u>	<u>340</u>	<u>340</u>
Non Operating Income/Loss	<u></u>	<u>28,630</u>	<u>28,630</u>
Fund Cash Balances, January 1	<u>80,707</u>	<u>23,543</u>	<u>104,250</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$99,223</u></u></b>	<b><u><u>\$52,173</u></u></b>	<b><u><u>\$151,396</u></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, 2010**

**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.

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

VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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, 2010  
(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 2010 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:

Deposits	\$121,952
Total Deposits	\$121,952

**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, 2010 follows:

Fund Type	2010 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General		\$128,570	\$128,570
Special Revenue		108,229	108,229
Enterprise		441,973	441,973
Permanent		565	565
Total	\$0	\$679,337	\$679,337

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$156,505	(\$156,505)
Special Revenue		128,789	(128,789)
Enterprise		423,457	(423,457)
Permanent		0	0
Total	\$0	\$708,751	(\$708,751)

Contrary to Ohio Revised Code Sections 5705.41(B) and 5705.38, all budgetary expenditures in all funds exceeded appropriation authority.

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

Fund	2010
Street Maintenance	58,527
Police Salary	96,863
Police Protection	44,875
Canine	2,629
Water Revenue	234,224
Debt Reserve	94,870

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

**4. PROPERTY TAX**

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

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

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
General Obligation Bonds	\$792,000	5.75%
Total	\$792,000	

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. .

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

<b>Year ending December 31:</b>	<b>USDA Loan</b>
2011	\$64,540
2012	63,448
2013	65,355
2014	64,090
2015	63,825
2016-2020	322,276
2021-2025	322,137
2026-2030	321,626
2031-2032	128,235
Total	\$1,415,532

**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 2010 OPERS members contributed an amount equaling 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. Due to the omission of payroll records, no determination could be made if the Village has paid all contributions required through December 31, 2010.

VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**6. SUBSEQUENT EVENTS**

On October 2, 2014 the Village was placed in Fiscal Caution by the Auditor of State.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Smithfield, Jefferson County, (the Village) as of and for the year ended December 31, 2010 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 manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2010-008, 2010-013, 2010-016, 2010-017 and 2010-018.

### 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 2010-001 through 2010-018.

We intend this report solely for the information and use of management and Village Council.

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**Dave Yost**  
Auditor of State

November 3, 2014

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VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2010-001

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 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, Janice McCoy, issued two checks to herself during 2010. One check memo indicated reimbursement per Mayor Freeland; however, no evidence was presented to substantiate the validity of the reimbursement. Purchase orders for these purchases had not been prepared and invoices for the expenditures were not available. Without proper documentation, we are unable to determine whether the expenditure was for a proper public purpose. The following is a list of the unsupported reimbursements:

Check #	Check Date	Check Amount	Portion Not Supported
17897	9/22/10	\$64	\$64
17911	9/28/10	\$500	\$500
<b>Total</b>			<b>\$564</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 Janice McCoy and Travelers Casualty and Surety Company, her bonding company, jointly and severally in the amount of \$564 and in favor of the General Fund.

### FINDING NUMBER 2010-002

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

**Ohio Rev. Code § 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 6, 2010 through December 31, 2010, Janice McCoy was the Mayor’s Court Clerk.

Monies collected on behalf of the Mayor’s Court were not always deposited with the Village depository. For the period of April 6, 2010 to December 31, 2010, \$3,403 in cash receipts were posted to the Mayor’s Court Daily Cash Control report and never deposited with the Village depository.

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 Janice McCoy, Mayor’s Court Clerk, and Travelers Casualty and Surety Company, her bonding company, jointly and severally for \$3,403 and in favor of the Mayor’s Court fund.

### FINDING NUMBER 2010-003

#### Finding for Recovery – Unsupported Expenditures

**Ohio Revised Code § 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**.

The Village Clerk/Treasurer Sara Morris (Winski) had two unsupported debit card transactions recorded on the Village’s bank statements. 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. Without adequate documentation, we are unable to verify if expenditures were for a proper public purpose.

**FINDING NUMBER 2010-003  
 (Continued)**

Date	Payee	Amount
2/5/2010	Office Max	\$118
	<b>Total Debit Card</b>	<b>\$118</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 Sara Morris in the amount of \$118 and in favor of the General Fund of the Village of Smithfield.

**FINDING NUMBER 2010-004**

**Finding for Recovery – Unsupported Expenditures**

**Ohio Revised Code § 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**.

The Village Mayor Patricia Freeland had several unsupported debit card transactions recorded on the Village’s bank statements. The bank statement indicated 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. Without adequate documentation, we are unable to determine if the expenditures at issue were for a proper public purpose.

**FINDING NUMBER 2010-004  
 (Continued)**

<b>Date</b>	<b>Payee</b>	<b>Amount</b>
2/16/2010	Team Pontiac GMC	\$7
2/17/2010	LKQ	\$159
2/26/2010	U-Haul Mike's Auto	\$16
2/26/2010	U-Haul Mike's Auto	\$85
3/15/2010	Office Max	\$22
4/30/2010	Ollies Bargain Outlet	\$40
5/25/2010	Unknown	\$196
7/2/2010	Walmart	\$143
8/2/2010	Browns Hardware	\$77
9/30/2010	Lowes	\$13
10/8/2010	Office Max	\$484
10/22/2010	Family Dollar	\$24
10/22/2010	Walmart	\$50
10/25/2010	Marathon Oil	\$28
10/27/2010	Walmart	\$49
10/29/2010	Family Dollar	\$38
11/29/2010	Cabela's Retail	\$308
12/1/2010	Walmart	\$34
12/1/2010	Lowes	\$106
	<b>Total Debit Card</b>	<b>\$1,879</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 Mayor Patricia Freeland and her surety, Travelers Casualty and Surety, jointly and severally, in the amount of \$1,879 and in favor of the General Fund of the Village of Smithfield.

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.

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), Village Clerk until March 31, 2010, Janice McCoy, Village Clerk beginning on April 6, 2010, and her surety, Travelers Casualty and Surety, jointly and severally, in the amount of \$289 and \$1,590, respectively and in favor of the General Fund of the Village of Smithfield for the illegal expenditures that occurred under each party during their time serving as Village Clerk.

### FINDING NUMBER 2010-005

#### Finding for Recovery – Overpayment of Compensation

**Village Resolution 95-10 Section 2** states that the annual compensation of the Village Clerk/Treasurer is set at \$7,800 or \$650 per month. 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. Janice McCoy performed the duties of both positions for the period of April 6, 2010 through December 31, 2010. Her annual compensation for performing both positions for nine months should have been \$11,700. Janice McCoy was compensated \$18,677, which is an overpayment of \$6,977. This includes two cash counter withdrawals for \$625.

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 Janice McCoy and Travelers Casualty and Surety Company, jointly and severally, in the amount of \$6,977 and in favor of the General Fund.

### FINDING NUMBER 2010-006

#### Noncompliance Citation

**Ohio Rev. Code § 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.

**FINDING NUMBER 2010-006  
(Continued)**

- 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 percent of all tested expenditures. Furthermore, none of the exceptions described above were used by the Village.

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 2010-007**

**Noncompliance Citation**

**Ohio Rev. Code § 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 Rev. 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 2010-008**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code § 733.28** provides 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.

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. In addition, the Clerk/Treasurer did not prepare monthly bank to book reconciliations.

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 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 2010-009**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.36** provides 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. 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 2010-010**

**Noncompliance Citation**

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

The Village Council did not adopt an appropriation measure and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Village (\$736,476) were in noncompliance 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 2010-011**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.10(I)** 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, 2010, the following funds had deficit cash balances:

<b>Fund</b>	<b>Deficit Balance</b>
Street Construction Maintenance And Repair	\$58,527
Police Salary	\$96,863
Police Protection	\$44,875
Canine	\$2,629
Water Revenue	\$234,224
Debt Reserve	\$94,870

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 2010-012

### Noncompliance Citation

**Ohio Rev. Code § 2949.091(A)(1)** provides that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of thirty dollars if the offense is a felony, twenty dollars if the offense is a misdemeanor, other than a traffic offense that is not a moving violation, and ten dollars if the offense is a traffic offense that is not a moving violation, as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. **Ohio Rev. Code § 2949.091(A)(1)(b) and 2743.70** require that monies collected for state cost be remitted to the state by the 20th day of the month.

**Ohio Rev. Code § 2949.094(A)** provides that the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. The Court shall not waive the payment of ten dollars unless the court determines the offender indigent and waives all court costs imposed upon the indigent offender. The section further states that the clerk of the court shall transmit thirty-five percent of all additional court costs collected pursuant to this division during a month on or before the twenty-third day of the following month to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund and the remaining three per cent shall be credited to the justice program services fund. The clerk shall transmit fifteen per cent of all additional court costs so collected during a month on or before the twenty-third day of the following month to the county or municipal indigent drivers alcohol treatment fund under the control of that court, as created by the county or municipal corporation under division (H) of section 4511.191 of the Revised Code. The clerk shall transmit fifty per cent of all additional court costs so collected during a month on or before the twenty-third day of the following month to the state treasury to be credited to the indigent defense support fund created pursuant to section 120.08 of the Revised Code.

**Ohio Rev. Code § 2949.111** states that, unless another assigning method is established, the court should assign offender payments on offenses toward the satisfaction of the court costs until they have been entirely paid.

The Court collected costs in the amount of \$28,970.00 in 2010. None of the collected costs were remitted to the State Treasury. In addition, the Mayor's Court Agency fund has a balance of \$52,173, which is a cumulative effect of costs being collected and not remitted for several years.

The Court should implement procedures to ensure collection and remittance of the proper costs. The payments should be assigned to court costs until they have been entirely paid, and then to additional fines and fees. The clerk should remit payment to the proper entities, included the Village and the State Treasurer. To aid in the remittance, the most recent form should be obtained from the Treasurer of State, completed, and remitted to the state with the costs collected in a timely manner. By following these procedures, the court will ensure proper reporting and compliance.

A referral will be made to the Ohio State Treasurer.

### FINDING NUMBER 2010-013

#### Noncompliance Citation/Material Weakness

**Ohio Rev. Code § 733.40** provides that except as otherwise provided in section 4511.193 of the Revised Code, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Except as otherwise provided by section 307.515 or 4511.19 of the Revised Code, all fines, and forfeitures collected by the mayor in state cases, together with all fees and expenses collected that have been advanced out of the county treasury, shall be paid by the mayor to the county treasury on the first business day of each month. Except as otherwise provided by sections 307.515 or 4511.19 of the Revised Code, the mayor shall pay all court costs and fees collected by the mayor in state cases into the municipal treasury on the first business day of each month.

Monies collected for fines, forfeitures, and cost in ordinance cases were deposited into the Village general checking account as collected. Monthly reports to Council were not prepared and presented to show the total collected, the amount due to Village general fund and the amount due the State Treasury. At December 31, 2010, the Mayor's Court Agency fund had a balance of \$52,173. This is the result of several years of fines being collected and not paid out to the appropriate authorities. The balance in this fund is to the Village General fund and the Ohio Treasurer of State.

The Village should take the steps necessary to determine what portion of the balance of the Mayor's Court agency fund is due to the Village General Fund and what portion is due to the Treasurer of State. The amounts should be remitted to the appropriate entities.

### FINDING NUMBER 2010-014

#### Noncompliance Citation

**Ohio Rev. Code § 5747.06** provides that every employer, including political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to any employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

During 2010, the Village did not withhold state taxes from all salary payments made to the Village Clerk/Treasurer. In addition they failed to remit Ohio Income Taxes withheld for all quarters in 2010. A referral will be made to the Ohio State Treasurer.

The Village should take the necessary steps to ensure that state taxes are properly withheld and remitted for all Village employees.

### FINDING NUMBER 2010-015

#### Noncompliance Citation

**26 USC Sections 3102 and 3402** require the employing government to withhold federal and employment related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes.

During 2010 the Village did not withhold federal taxes from all payments made to the Clerk/Treasurer. In addition the Village failed to remit Federal Income Taxes withheld from employees and elected officials for all quarters in 2010.

A referral will be made to the Internal Revenue Service.

The Village should withhold and remit all necessary federal income taxes to the Internal Revenue Service in a timely manner.

### FINDING NUMBER 2010-016

#### Noncompliance Citation / Material Weakness

**Ohio Admin. Code § 117-2-00 (A)** requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Additionally, **Ohio Admin. Code § 117-2-02 (D)** requires all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

**FINDING NUMBER 2010-016**  
**(Continued)**

(4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:

(a) Payroll records including:

- (i) W-2's, W-4's and other withholding records and authorizations.
- (ii) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
- (iii) Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
- (iv) Information regarding nonmonetary benefits such as car usage and life insurance.
- (v) Information, by employee, regarding leave balances and usage.

(b) Utilities billing records including:

- (i) Master file of service address, account numbers, billing address, type of services provided, and billing rates.
- (ii) Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.
- (iii) Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

(c) Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The Village did not maintain an accounting system sufficient to accurately record and report the Village's financial activity as follows:

- The cash journal did not include beginning and ending fund balances or totals for monthly receipts and expenditures. Additionally, a receipt ledger, appropriation ledger, or payroll ledger was not maintained.
- W-2's and monthly remittance reports were not presented for audit.
- The Village was unable to provide water and sewer ledgers, including a usage report, billing register, or posted payments ledger for 2010.

The condition of accounting records led to inaccurate and incomplete financial statements and also prohibited us from obtaining sufficient evidential matter in our procedures to express any opinion on the financial statements.

**FINDING NUMBER 2010-016  
(Continued)**

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 of Village funds.

**FINDING NUMBER 2010-017**

**Material Noncompliance and Material Weakness**

Ohio Admin. Code Section 117-2-01 (A) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C) (5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions.

Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists;
- Reviewing of monthly bank reconciliations by someone independent of their preparation; and
- Update bank signatories to ensure only current officials have access to village assets

The Village did not implement any of these controls and a lack of effective monitoring controls could lead to the misallocation or misstatement of village funds, expenditure of funds contrary to the directives of Village Council, and non-compliance with federal or state laws or regulations. This could result in a loss funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected. The Village's failure to provide records and supporting documentation for receipts and expenditures in fiscal year 2010 financial statements caused us to disclaim our opinion.

## FINDING NUMBER 2010-018

### 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 over the safeguarding of assets.

**Official's Response:** no response was received from officials.

**VILLAGE OF SMITHFIELD  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2009-001	Finding for Recovery – Unauthorized payments	No	Per AOS finding database, finding has not been repaid
2009-002	Finding for Recovery – Water Sewer Receipts	Partially	Partial restitution has been made; unable to test for 2010 as records were not presented for audit.
2009-003	Finding for Recovery – Mayor’s Court Receipts	No	Per AOS finding database, finding has not yet been repaid; also finding 2009-002 issued against Clerk/Treasurer for 2010.
2009-004	Finding for Recovery – Water Sewer Receipts	No	Per AOS finding database, finding has not been paid; unable to test for 2010 as records were not presented for audit.
2009-005	Finding for Recovery – Unsupported Reimbursements	No	Per AOS finding database, finding has not been repaid; also finding 2010-001 issued against Clerk/Treasurer for 2010.
2009-006	Finding for Recovery – Unsupported Expenditures	No	Per AOS finding database, finding has not been repaid; also finding 2010-003 issued against Clerk/Treasurer for 2010.
2009-007	Finding for Recovery – Unsupported Expenditures	Partially	Finding 2009-007 repaid; finding 2010-004 issued for current year unsupported expenditures
2009-008	Finding for Recover – Overpayment of Compensation	No	Per AOS finding database, finding has not been repaid; also finding 2010-005 issued against Clerk/Treasurer for 2010.
2009-009	Ohio Rev. Code § 5175.41(D)	No	Re-issued as finding 2010-006
2009-010	Ohio Rev. Code § 149.351	No	Re-issued as finding 2010-007
2009-011	Ohio Rev. Code § 733.28	No	Re-issued as finding 2010-008
2009-012	Ohio Rev. Code § 9.38	Partially	Issued in current year management letter
2009-013	Ohio Rev. Code § 5705.36	No	Re-issued as finding 2009-009
2009-014	Ohio Rev. Code § 5705.38 & 5705.41(B)	No	Re-issued as finding 2010-010
2009-015	Ohio Rev. Code § 5705.10(I)	No	Re-issued as finding 2011-011
2009-016	Posting of Receipts	No	AOS re-constructed cash journal and made necessary receipt postings from bank statements and other source documents.
2009-017	Audit Committee	No	Re-issued as finding 2010-018
2009-018	Ohio Admin. Code § 117-2-02	No	Re-issued as finding 2010-016

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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 16, 2014**