



Dave Yost • Auditor of State

VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

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Dave Yost • Auditor of State

ACCOUNTANT'S REPORT

Village of Smithfield
Jefferson County
P. O. 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, 2013, 2012, and 2011 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 not express an 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

March 1, 2017

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Village of Smithfield, Ohio
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, 2013

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Unclassified	\$193,760	\$142,205	\$0	\$335,965
Cash Disbursements				
Unclassified	152,963	232,620	0	385,583
<i>Excess of Receipts Over (Under) Disbursements</i>	40,797	(90,415)	0	(49,618)
<i>Fund Cash Balances (Deficit), January 1</i>	49,108	(209,305)	28,739	(131,458)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>\$89,905</u>	<u>(\$299,720)</u>	<u>\$28,739</u>	<u>(\$181,076)</u>

Village of Smithfield
Jefferson County
**Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances**
Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2013

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Unclassified	\$193,532	\$87,695	\$281,227
Operating Cash Disbursements			
Unclassified	164,447	95,312	259,759
<i>Net Change in Fund Cash Balances</i>	29,085	(7,617)	21,468
<i>Fund Cash Balances, January 1</i>	106,420	63,686	170,106
<i>Fund Cash Balances, December 31</i>	<u>\$135,505</u>	<u>\$56,069</u>	<u>\$191,574</u>

Village of Smithfield, Ohio
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, 2012

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Unclassified	\$111,107	\$123,162	\$0	\$234,269
Cash Disbursements				
Unclassified	128,099	182,038	0	310,137
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,992)	(58,876)	0	(75,868)
<i>Fund Cash Balances (Deficit), January 1</i>	66,100	(150,429)	28,739	(55,590)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>\$49,108</u>	<u>(\$209,305)</u>	<u>\$28,739</u>	<u>(\$131,458)</u>

Village of Smithfield
Jefferson County
**Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances**
Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2012

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Unclassified	\$320,139	\$41,435	\$361,574
Operating Cash Disbursements			
Unclassified	295,710	36,140	331,850
<i>Net Change in Fund Cash Balances</i>	24,429	5,295	29,724
<i>Fund Cash Balances, January 1</i>	81,991	58,391	140,382
<i>Fund Cash Balances, December 31</i>	\$106,420	\$63,686	\$170,106

Village of Smithfield, Ohio
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, 2011

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Unclassified	\$130,334	\$104,933	\$0	\$235,267
Cash Disbursements				
Unclassified	81,088	179,635	690	261,413
<i>Excess of Receipts Over (Under) Disbursements</i>	49,246	(74,702)	(690)	(26,146)
<i>Fund Cash Balances (Deficit), January 1</i>	16,854	(75,727)	29,429	(29,444)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>\$66,100</u>	<u>(\$150,429)</u>	<u>\$28,739</u>	<u>(\$55,590)</u>

Village of Smithfield
Jefferson County
**Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances**
Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2011

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Unclassified	\$380,014	\$35,488	\$415,502
Operating Cash Disbursements			
Unclassified	397,246	29,270	426,516
<i>Net Change in Fund Cash Balances</i>	(17,232)	6,218	(11,014)
<i>Fund Cash Balances, January 1</i>	99,223	52,173	151,396
<i>Fund Cash Balances, December 31</i>	\$81,991	\$58,391	\$140,382

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.

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.

5. Fiduciary Funds

Fiduciary fund reporting focuses on net positions and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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
Notes to the Financial Statements
From the Years Ended December 31, 2013, 2012, and 2011

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 2013, 2012, and 2011 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:

	2013	2012	2011
Deposits	\$10,498	\$38,648	\$84,792

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, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$193,760	\$193,760
Special Revenue	0	142,205	142,205
Enterprise	0	193,532	193,532
Total	\$0	\$529,497	\$529,497

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$152,963	(\$152,963)
Special Revenue	0	232,620	(232,620)
Enterprise	0	164,447	(164,447)
Total	\$0	\$550,030	(\$550,030)

Village of Smithfield
Notes to the Financial Statements
From the Years Ended December 31, 2013, 2012, and 2011

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$111,107	\$111,107
Special Revenue	0	123,162	123,162
Enterprise	0	320,139	320,139
Total	<u>\$0</u>	<u>\$554,408</u>	<u>\$554,408</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$128,099	(\$128,099)
Special Revenue	0	182,038	(182,038)
Enterprise	0	295,710	(295,710)
Total	<u>\$0</u>	<u>\$605,847</u>	<u>(\$605,847)</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$130,334	\$130,334
Special Revenue	0	104,933	104,933
Enterprise	0	380,014	380,014
Total	<u>\$0</u>	<u>\$615,281</u>	<u>\$615,281</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$81,088	(\$81,088)
Special Revenue	0	179,635	(179,635)
Enterprise	0	397,246	(397,246)
Permanent	0	690	(690)
Total	<u>\$0</u>	<u>\$658,659</u>	<u>(\$658,659)</u>

Contrary to Ohio Revised Code Sections 5705.41(B) 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	2013	2012	2011
Street Construction			
Maintenance & Repair	\$112,702	\$93,195	\$52,527
Police Salary	220,340	155,307	96,863
Police Protection	137,085	99,697	44,875
Recreation	257		
Canine	3,429	3,429	2,629
Water Revenue	129,580	188,725	248,848
Cemetery	22,684	28,088	
Debt Reserve	94,870	94,870	94,870

Village of Smithfield
Notes to the Financial Statements
From the Years Ended December 31, 2013, 2012, and 2011

3. BUDGETARY ACTIVITY (Continued)

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.

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, 2013 was as follows:

	Principal	Interest Rate
Rural Development Loan	\$732,000	5.75%
Police Cruiser Loan	17,068	
Total Outstanding Debt	\$749,068	

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.

Chrysler Capital issued a loan to the Village for the purchase of a new police cruiser. The amount of the loan was \$19,066 and is to be repaid in monthly installments through April 2018. The loan is collateralized by the police cruiser that was purchased with said debt.

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

Year ending December 31:	USDA Loan	Cruiser Loan
2014	\$64,090	\$5,020
2015	63,825	5,020
2016	64,503	5,020
2017	65,065	5,020
2018	63,513	1,673
2019-2023	322,745	
2024-2028	321,443	
2029-2032	257,005	
Total	\$1,222,189	\$21,753

6. RETIREMENT SYSTEM

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 2011-2013 OPERS members contributed and 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, 2013.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. SUBSEQUENT EVENTS

On October 2, 2014 the Village was placed in Fiscal Caution by the Auditor of State. The Village of Smithfield was subsequently declared to be in a state of fiscal emergency as defined in Sections 118.03(A)(1) of the Ohio Revised Code on February 19, 2015.



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ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Smithfield
Jefferson County
P.O. Box 454
Smithfield, Ohio 43948

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, 2013, 2012, and 2011 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 2013-006, 2013-007, 2013-008, 2013-015, 2013-017, 2013-018, 2013-021 and 2013-022.

Compliance and Other Matters

We tested compliance with certain provisions or 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 2013-001 to 2013-020.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 1, 2017

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FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2013-001

Finding for Recovery – Salary Overpayment

Village Resolution 10-3 Section 2: states that the salary of the Village Clerk/Treasurer shall be \$2,176, to be paid monthly. The Clerk/Treasurer is to work a 40 hour week and the said salary is to be split for performing duties of the Clerk/Treasurer, Mayor's Court Clerk, and Police Department Clerk.

Janice McCoy performed the duties of the above stated positions for all of 2011. Her annual compensation for performing these duties in 2011 should be \$26,112. Janice McCoy was compensated \$31,837, which is an overpayment of \$5,725 in 2011. Janice McCoy performed the duties of the above stated positions through April 2012 before resigning her duties. Her compensation for performing these duties for four months in 2012 should be \$8,704. Janice McCoy was compensated \$13,056, which is an overpayment of \$4,352 in 2012. The total over payment of compensation for 2011 and 2012 was \$10,077.

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 \$10,077 and in favor of the General Fund.

FINDING NUMBER 2013-002

Finding for Recovery – Salary Overpayment

Village Resolution 12-04 section 1 indicates council person Patricia Freeland will be compensated \$200 per week for the reconstruction of the 2010 Village records retroactive to May 1, 2012. During this time, Patricia Freeland will not receive her regular council compensation of \$125 per month.

Patricia Freeland was compensated for the duties of council person for January through April 2012 in which she was entitled to \$500 in compensation for these duties. Retroactive to May 1, 2012 Patricia Freeland began being compensated for performing the duties of the 2010 village records reconstruction. Patricia Freeland should have received 35 weeks of compensation at \$200 per week for a total compensation for these duties of \$7,000. Her total compensation for performing her council duties and reconstruction duties in 2012 should be \$7,500. Patricia Freeland was compensated \$12,100, which is an overpayment of \$4,600 in 2012.

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 Patricia Freeland and Travelers Casualty and Surety Company, jointly and severally in the amount of \$4,600 and in favor of the General Fund.

Clerk/Treasurer Deborah Coconougher signed the warrants resulting in the improper payments to Patricia Freeland. Deborah Coconougher and her bonding company, Selective Insurance Company of America, will be jointly and severally liable in the amount of \$4,600 and in favor of the Village of Smithfield General Fund to the extent that recovery is not obtained from Ms. Freeland.

A referral will be made to the Ohio Ethics Commission.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-003

Finding for Recovery – Salary Overpayment

Village Resolution 10-3 Section 2: indicates the salary of the Village Clerk/Treasurer shall be \$2,176, to be paid monthly. The Clerk/Treasurer is to work a 40 hour week and the said salary is to be split for performing duties of the Clerk/Treasurer, Mayor's Court Clerk, and Police Department Clerk.

Deborah Coconougher was hired May 1, 2012 to perform the duties of the above stated positions. Her compensation for performing these duties for eight months in 2012 should be \$17,408. Deborah Coconougher was compensated \$21,525 in 2012, which is an overpayment of \$4,117 in 2012. Deborah Coconougher performed the duties of the above stated positions for all of 2013. Her annual compensation for performing these duties in 2013 should be \$26,112. Deborah Coconougher was compensated \$33,750 in 2013, which is an overpayment of \$7,638 in 2013. The total over payment of compensation between 2012 and 2013 was \$11,755.

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 Deborah Coconougher and Selective Insurance Company of America, jointly and severally in the amount of \$11,755 and in favor of the General Fund.

FINDING NUMBER 2013-004

Finding for Recovery – Mayor's Court

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 the color of office. The Mayor's Court Clerk is responsible for collecting, recording, and depositing Mayor Court receipts. For the time period of January 1, 2011 through December 31, 2011, 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 January 1, 2011 to December 31, 2011, \$1,817.50 in cash receipts and \$2,730 in checks/money orders were posted to the Mayor's Court Daily Cash 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.* 120 Ohio St. 47 (1929); 1980 Op. Att'yGen.No. 80-074, Ohio Rev. Code Section 9.39, *State ex rel. Village of Linndale v. Mastern*; 19 Ohio St. 3d. 228 (1985). 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 \$4,547 and in favor of the Mayor's Court fund.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-005

Ohio Rev. Code § 2921.42(A)(1) states that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

The Village of Smithfield entered into a contract on April 24, 2013 for the purchase of a used Chevrolet Tahoe for use by the Village of Smithfield from Police Chief, Robert Mieczkowski, at a purchase price of \$12,000. Per the contract, a down payment of \$3,000 will be paid in April 2013 with subsequent monthly payments of \$500.00 for the next 18 months with the final payment being made on October 1, 2014. A breakdown of the payments made to Robert Mieczkowski for 2013 and 2014 are as follows:

Amount	Description	Date
\$3,000	down payment	4/29/13
\$500	monthly payment	5/17/13
\$500	monthly payment	6/14/13
\$500	monthly payment	7/11/13
\$500	monthly payment	8/9/13
\$500	monthly payment	9/19/13
\$500	monthly payment	10/18/13
\$500	monthly payment	11/15/13
\$500	monthly payment	12/13/13
\$7,000	2013 Total	

Amount	Description	Date
\$500	monthly payment	1/24/14
\$1,000	2 monthly payments	2/21/14
\$1,000	2 monthly payments	5/1/14
\$500	monthly payment	5/30/14
\$500	monthly payment	6/27/14
\$500	monthly payment	8/8/14
\$500	monthly payment	9/5/14
\$500	monthly payment	10/17/14
\$500	monthly payment	10/23/14
\$5,500	2014 Total	
\$12,500	Total Payments	

Since the Chief of Police is a public official, this would preclude him from entering into a contract with the Village for the purchase of the vehicle and said contract would be an unlawful interest in a public contract. In addition, the Village paid \$500 in excess of the agreed upon price of \$12,000.

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 Mr. Mieczkowski in the amount of \$12,500 and in favor of the Police Protection Fund.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-005
(Continued)

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 the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 OP. Atty Gen. No. 80-074; Ohio Rev. Code Sec. 9.39; *State, ex.rel. Village of Linndale V. Masten*, 18 Ohio St. 3d 228 (1985). 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 property, 1980 OP. Atty Gen. No. 80-074.

Clerk/Treasurer Deborah Coconougher signed the warrant resulting in the payments to Robert Mieczkowski. Deborah Coconougher and her bonding company, Selective Insurance Company of America, will be jointly and severally liable in the amount of \$12,500 and in favor of the Village of Smithfield Police Protection Fund to the extent that recovery is not obtained from Mr. Mieczkowski.

FINDING NUMBER 2013-006

Noncompliance Citation/ Internal Control Deficiency

Ohio Rev. Code § 733.28 provides that the village clerk/treasurer 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 Rev. 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.

The Village Clerk/Treasurer did not 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 or income derived there from and of all taxes and assessments. The Village Clerk/Treasurer did not prepare monthly bank to book reconciliations.

The Village 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 presented to Council for review. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

FINDING NUMBER 2013-007

Noncompliance Citation / Internal Control Deficiency

Ohio Admin Code § 117-2-00(A) requires that 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, 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 to 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:

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-007
(Continued)

- (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 transaction can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditures/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.
- (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, 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.

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

- (1) The cash journal had to be constructed by Local Government Services for 2011 through 2013. Additionally, neither a receipt ledger nor an appropriation ledger was maintained for 2011-2013. A complete and accurate payroll ledger was not maintained for 2011-2013. The payroll ledgers for 2011-2013 did not include the Check number, check date, or the fund the employee was paid from.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-007
(Continued)

(2) The Village could not provide sufficient payroll documentation for 2011-2013, such as salary and pay rates, to support whether employees of the Village were being properly paid. The village also did not retain any supporting documentation for the 2011-2013 withholding remittances such as the Quarterly 941's, State Tax Remittances, and OPERS monthly remittances. The Village could not provide adequate vacation and sick leave records for any employee entitled to leave for 2011-2013.

(3) The Village could not provide sufficient disbursement documentation for 22 purchases in 2011-2013, such as invoices, to support the amount and purpose of the disbursement being made.

(4) The Village was unable to provide water and sewer ledgers, including a usage report, billing register, or posted payments ledger for 2011-2013.

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

The Village lacked procedures to ensure the preparation of complete and accurate cash journal, receipts ledger, and appropriation ledger.

The Village should also establish specific procedures to effectively control each payroll disbursement transaction, including but not limited to the following:

- (1) Complete and accurate payroll ledgers should be maintained and should include the check number, check date, payee, wage rate, hours worked, gross pay, withholdings, and net pay;
- (2) The payroll ledger should include month-to-date, quarter-to-date, and year-to-date totals for each employee for each year;
- (3) Time sheets (when applicable) should be utilized and should be signed by the employee and an immediate supervisor attesting to their validity; and
- (4) All wage rates, new hires, and appointments should be formally approved by the Board and noted in the minute record.
- (5) All withholding remittances should be maintained and on file including the Federal 941 reports, State Income Tax remittances, and monthly OPERS reports and remittances.

The Village should retain all all invoices to help substantiate the amount and purpose of the purchase.

The Village should prepare and maintain water and sewer ledgers including a usage report, billing register, or posted payments ledger.

Village officials should review the guidelines contained in the Ohio Administrative Code to guide them in maintaining the necessary accounting records. Implementation of the suggested procedures may help provide the means to determine that the financial activity of the Village is properly reported and accounted for.

FINDING NUMBER 2013-008

Noncompliance Citation / Internal Control Deficiency

Ohio Admin. Code § 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. "Internal Control" is defined as a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting;
- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

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 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);
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

Lack of effective monitoring controls could lead to theft of entity funds, expenditure of funds contrary to the directives of the governing body, undetected errors affecting the monthly bank versus book reconciliations.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-008
(Continued)

During our review of the records we noted the following:

- There was no evidence in 2011 through 2013 the Council approved disbursements prior to being made, nor did they review disbursements after they were made to ensure they were accurately recorded, necessary and for a proper public purpose; Council authorized the Clerk/Treasurer to pay certain bills without needing Council approval;
- No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the disbursements. In 2011 through 2013 checks were typically only signed by one authorized signatory. The checks only being signed by one person in conjunction with the lack of council monitoring and segregation of duties could lead to unallowable disbursements and increase the risk of theft/fraud.
- Council authorized paying monthly and quarterly employees at the beginning of December rather than at the end of the month after services were rendered, essentially paying them in advance;
- Council voted to have the former Mayor, Patricia Freeland removed as an authorized signatory on the Village accounts on January 10, 2012. Mrs. Freeland was still listed as an authorized signatory at December 31, 2013.
- There was no evidence council members or management adequately monitored controls over the monthly and annual financial statements nor ensuring that an adequate segregation of duties exists;
- Council failed to review of the monthly bank reconciliations; and
- The Village did not provide any minutes of the Council meetings for February 2011, February, March, and May 2012.

The Village lacked procedures to help ensure required records are maintained. The lack of record keeping greatly increases the risk of misstatement, fraud and abuse related to non-payroll and payroll disbursements and receipt transactions. These weaknesses significantly reduce management's ability to effectively monitor the finances and make appropriate operating decisions.

FINDING NUMBER 2013-009

Noncompliance Citation

Ohio Rev. Code § 145.47 requires public employees who are members of the Public Employees Retirement System (OPERS) to contribute 10% in 2011-2013 of their salary to the OPERS employees' fund. The fiscal officer of each local authority shall deduct from the compensation of each member on every payroll period subsequent to the date such employee became a member, an amount equal to the applicable percent of such member's earnable salary or compensation.

The Village Clerk/Treasurer did not maintain adequate payroll records to determine if the proper rates of retirement contributions were being withheld from all enrolled employees. OPERS was not properly withheld from all checks issued to the Village Officials and employees for duties performed. In addition, we noted that several employees were having both OPERS and Social Security withheld.

A referral will be made the Ohio Public Employees Retirement System.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-009
(Continued)

The Village Clerk/Treasurer should ensure the proper OPERS contributions are deducted from the employee's gross wages and should maintain adequate supporting documentation to help substantiate the wages and deductions.

FINDING NUMBER 2013-010

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 2011 through 2013, the Village failed to remit the following Federal Income Taxes withheld from employees and elected officials for all quarters in 2011 through 2013. No evidence was presented to indicate payment has been made.

YEAR	AMOUNT
2011	\$20,200
2012	\$23,476
2013	\$28,322

We also noted that while calculating Medicare withholdings the Village withheld based on gross wages less retirement rather than gross wages.

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 2013-011

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.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-011
(Continued)

The Village failed to remit the following Ohio Income Taxes withheld for all quarters in 2011 through 2013:

YEAR	AMOUNT
2011	\$1,668
2012	\$3,005
2013	\$4,781

No evidence was presented that payments have been made. A referral will be made to the State of Ohio Treasurer.

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

FINDING NUMBER 2013-012

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 Rev. Code § 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 and since disbursements should be limited by the appropriations established for each fund; all disbursements made by the Village (\$687,929), (\$641,987), and (\$645,342) in 2011, 2012, and 2013, respectively, were in noncompliance with the Ohio Revised Code.

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

FINDING NUMBER 2013-013

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 Clerk/Treasurer 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 Clerk/Treasurer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-013
(Continued)

There are several exceptions to the standard requirement stated above that a Clerk/Treasurer'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 Clerk/Treasurer'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 Board of Trustees 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 trustees if such expenditure is otherwise valid.
2. Blanket Certificate – Clerk/Treasurers 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 disbursements. 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 help 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 Rev. Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include their certification language which Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to help reduce the available appropriation.

Village of Smithfield
Schedule of Findings
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FINDING NUMBER 2013-014

Noncompliance Citation

Ohio Rev. Code § 5075.36 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 2011-2013. 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 2013-015

Noncompliance Citation / Internal Control Deficiency

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 Village Clerk/Treasurer did not retain records in accordance with the aforementioned provisions. Various items such as vouchers, invoices, purchase orders, reconciliations, mayor's 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 2013-016

Noncompliance Citation

The Village's United States of Department of Agriculture (USDA) loan number 41-041-0346002676 Section 8 requires \$536 per month to be set aside and deposited into the Sanitary Sewer System Reserve fund until there is accumulated in such fund the sum of \$64,320 after which no further deposits will need to be made except to replace withdrawals. In addition, the loan agreement requires that the Clerk/Treasurer be bonded in the amount of \$130,000.

The Village did not make the required deposits into the Sanitary Sewer Debt Reserve account for 2011, 2012, or 2013. In addition, the ending balance in this fund for each year was (\$94,870).

In addition, the Village Clerk/Treasurers were not adequately bonded. They were bonded for \$100,000 rather than the \$130,000 required by the debt agreement.

The Village should review the current procedure in place to help ensure required amounts are deposited into the Sanitary Sewer Debt Reserve Account and to formulate a plan to help eliminate the deficit balance in this fund. In addition, the Village should take the necessary steps to help ensure the Clerk/Treasurer is adequately bonded.

Village of Smithfield
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FINDING NUMBER 2013-017

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 section 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 ordinances cases were deposited into the Village Mayor's Court 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. Although the Village was paying fines into the Village accounts, at December 31, 2013, the Mayor's Court Agency fund had a balance of \$56,069. 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 due 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 then be remitted to the appropriate entities.

FINDING NUMBER 2013-018

Noncompliance Citation – Material Weakness

Ohio Rev. Code § 2949.091(A)(1) states 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 Sections 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 Section 2949.094(A) states 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

Village of Smithfield
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FINDING NUMBER 2013-018
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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 Section 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 \$35,488 in 2011, \$41,435 in 2012, and \$87,695 in 2013. None of the collected costs were remitted to the State Treasury. In addition, the Mayor's Court Agency fund had an ending fund balance of \$53,391 in 2011, \$63,686 in 2012, and \$56,069 in 2013 which may be the cumulative effect of costs being collected and not remitted for several years.

FINDING NUMBER 2013-019

Noncompliance Citation

Ohio Rev. Code § 5705.10(D) states that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code or as otherwise provided by section 3315.40 of the Revised Code, all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

The Village posted Mayor's Court fines to funds other than the general fund. Amounts were adjusted and are reflected in the accompanying financial statements.

The Village should take measures to ensure that receipts are recorded in the proper fund.

FINDING NUMBER 2013-020

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 of the funds with deficit cash balances.

As of December 31, 2011, the following funds had deficit cash balances:

Fund	Deficit Balance
Street Construction, Maintenance and Repair	\$52,527
Police Salary	96,863
Police Protection	44,875
Canine	2,629
Water Revenue	248,848
Debt Revenue	94,870

Village of Smithfield
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From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-020
(Continued)

As of December 31, 2012, the following funds had deficit cash balances:

Fund	Deficit Balance
Street Construction, Maintenance and Repair	\$93,195
Police Salary	155,307
Police Protection	99,697
Water Revenue	188,725
Cemetery Operating	28,088
Canine	3,429
Debt Reserve	94,780

As of December 31, 2013, the following funds had deficit cash balances:

Fund	Deficit Balance
Recreation	\$257
Street Construction, Maintenance and Repair	112,702
Police Salary	220,340
Police Protection	137,085
Water Revenue	129,580
Cemetery Operating	22,684
Canine	3,429
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 should be considered to help prevent deficit spending.

Village of Smithfield
Schedule of Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011
(Continued)

FINDING NUMBER 2013-021

Posting Receipts / Internal Control Deficiency

Sound financial reporting is the responsibility of the Clerk/Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village did not post intergovernmental receipts and taxes to the correct funds. Errors included improper posting of real estate and mobile home tax receipts, homestead and rollback, a recreation grant, Mayor's Court receipts, and the posting of auto registration and tangible personal property tax reimbursements. In addition, amounts were withheld from the Village's tax settlements to satisfy unpaid contributions to the Ohio Public Employees Retirement System (OPERS). These amounts were not always properly allocated to the funds that actually paid the related payroll. The following adjustments were made and are reflected in the accompanying financial statements.

Revenue Type	Fund	Amount	Description
2012			
OPERS deduction	General	\$14,544	Should have been posted to: Street: \$3,674 Police Salary: \$4,268 Police Protection: \$398 Water: \$816 Sewer: \$5,158 Cemetery: \$230
Recreation Grant	Permissive	\$5,000	Should have been posted to: Recreation: \$5,000
Auto Registration	General	\$908	Should have been posted to: Street: \$840 State Highway: \$68
2013			
Homestead Rollback	General, Street, Police Protection, Sewer, Mayor's Court	\$22,812.29	Should have been posted to: General: \$10,755.99 Cemetery: \$675.25 EMS: \$2,315.45 Police Protection: \$1,204.49 Police Salary: \$4,443.83 Fire: \$3,417.28

The village did not have procedures in place to properly record the above items. Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The 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. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure the financial activity of the Village is accurately recorded and reported.

Village of Smithfield
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FINDING NUMBER 2013-022

Cash Reconciliations / Internal Control Deficiency

The reconciliation of the accounting records to the cash (bank) balances is the most basic and primary control process performed by the Treasurer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Treasurer is responsible for reconciling the Village's book (fund) balance to the total bank balance on a monthly basis.

The Village lacked procedures to help ensure reconciliations were performed accurately and timely. During our examination of the Village's cash reconciliation process, we noted during 2011 through 2013 Monthly cash reconciliations were not completed, which required a reconstruction of monthly reconciliations by Local Government Services (LGS).

The lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle.

The Clerk/Treasurer should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations.

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Village of Smithfield
Schedule of Prior Findings
From the Fiscal Year Ended December 31, 2013, 2012, and 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Ohio Revised Code § 149.351	No	No evidence this was repaid.
2010-002	Ohio Revised Code § 9.39	No	No evidence this was repaid.
2010-003	Ohio Revised Code § 149.351	No	No evidence this was repaid.
2010-004	Ohio Revised Code § 149.351	No	No evidence this was repaid.
2010-005	Village Resolution 95-10 Section 2	No	No evidence this was repaid.
2010-006	Ohio Revised Code § 5705.41 (D)	No	Reissued as finding 2013-013
2010-007	Ohio Revised Code § 149.351	No	Reissued as finding 2013-015
2010-008	Ohio Revised Code § 733.28	NO	Reissued as finding 2013-006
2010-009	Ohio Revised Code § 5705.36	No	Reissued as finding 2013-014
010-010	Ohio Revised Code § 5705.38	No	Reissued as finding 2013-012
2010-011	Ohio Revised Code § 5705.10(I)	No	Reissued as finding 2013-020
2010-012	Ohio Revised Code § 2949.091(A)(1)	No	Reissued as finding 2013-018
2010-013	Ohio Revised Code § 733.40	No	Reissued as finding 2013-017
2010-014	Ohio Revised Code § 5747.06	No	Reissued as finding 2013-011
2010-015	26 USC Sections 3102 and 3402	No	Reissued as finding 2013-010
2010-016	Ohio Admin. Code § 117-2-00 (A)	No	Reissued as finding 2013-007
2010-017	Ohio Admin. Code § 117-2-01 (A)	No	Reissued as finding 2013-008
2010-018	Audit Committee – Material Weakness	No	Reissued in Management Letter

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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
APRIL 4, 2017