



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SMITHFIELD
JEFFERSON COUNTY
JULY 31, 2020
NOVEMBER 20, 2019
DECEMBER 31, 2018

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

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

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Smithfield, Jefferson County, (the Village), as of and for the periods ended July 31, 2020 and November 20, 2019, and for the year ended and December 31, 2018. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2020-003, and 2020-011 and 2020-012 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2020-001 through 2020-010.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

October 29, 2020

Village of Smithfield, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Period Ended July 31, 2020

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Unclassified	\$91,875	\$71,383	\$0	\$163,258
Cash Disbursements				
Unclassified	99,985	27,962	0	127,947
<i>Net Change in Fund Cash Balances</i>	(8,110)	43,421	0	35,311
<i>Fund Cash Balances (Deficit), November 20, 2019</i>	145,367	(353,196)	28,739	(179,090)
Fund Cash Balances (Deficit), July 31, 2020				
Nonspendable	0	0	28,739	28,739
Restricted	0	256,237	0	256,237
Unassigned (Deficit)	137,257	(566,012)	0	(428,755)
<i>Fund Cash Balances (Deficit), July 31, 2020</i>	<u>\$137,257</u>	<u>(\$309,775)</u>	<u>\$28,739</u>	<u>(\$143,779)</u>

See accompanying notes to the basic financial statements

Village of Smithfield, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Period Ended July 31, 2020

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Custodial</u>	<u>(Memorandum Only)</u>
Cash Receipts			
Unclassified	\$5,497	\$190	\$5,687
Cash Disbursements			
Unclassified	699	4,534	5,233
<i>Net Change in Fund Cash Balances</i>	4,798	(4,344)	454
<i>Fund Cash Balances, November 20, 2019</i>	307,440	51,416	358,856
<i>Fund Cash Balances, July 31, 2020</i>	<u>\$312,238</u>	<u>\$47,072</u>	<u>\$359,310</u>

See accompanying notes to the basic financial statements

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Note 1 - Reporting Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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. See Note 10 for additional information.

On November 5, 2019, the residents of the Village of Smithfield voted to surrender the Village's corporate powers. The election results were certified by the Jefferson County Board of Elections on November 20, 2019, at which time the Village's corporate powers were officially surrendered and a financial report, ending November 20, 2019, was completed.

The Village of Smithfield and Smithfield Township have entered into a transition agreement that sets forth the services to be provided to Village residents that includes police protection and street maintenance and repairs. Additionally, the transition agreement sets forth the process for the transfer of real estate and other assets from the Village to the Township. Subsequent to the completion of a final transition audit, the transition period will end and Smithfield Township will then provide all services to the residents. See Note 11 for additional information.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of cash receipts, cash disbursements and changes in fund cash balances (regulatory cash basis) for all governmental fund types, and a combined statement of cash receipts, cash disbursements and changes in fund cash balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Street Construction, Maintenance, and Repair The Street Construction, Maintenance, and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Salary The Police Salary Fund accounts for and reports that amount of property tax money that has been restricted for the purpose of paying for the cost of police services.

Permanent Fund This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Perpetual Care Fund The Perpetual Care Fund accounts for and reports 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.

Enterprise Fund This fund accounts for and reports 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 fund:

Sewer Fund The Sewer Fund accounts for and reports the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Custodial funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's only fiduciary fund is a custodial fund which accounts for Mayor's Court fines and fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2020 budgetary activity through July 31, 2020, appears in Note 4.

Deposits and Investments

Cash consists of demand deposits. The Village has no investments in their cash management pool.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Pensions/Other Postemployment Benefits (OPEB)

The Village recognizes the disbursement for employer contributions to pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Village has no assigned amounts at July 31, 2020.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the *unassigned* classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Street, State Highway, Permissive, Cemetery Operating, Police Salary, and Police Protection Special Revenue Funds, and the Sewer Operating Enterprise Fund for the period ended July 31, 2020.

Also contrary to Ohio law, at July 31, 2020, the following funds had a deficit cash balance:

<u>Fund</u>	<u>Amount</u>
Street Construction, Maintenance, and Repair	\$99,475
Police Salary	319,865
Police Protection	143,241
Canine	3,429
Water Revenue	76,152
Sewer Debt Reserve	94,870

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Note 4 - Budgetary Activity

Budgetary activity for the period ending July 31, 2020, follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$91,875	\$91,875
Special Revenue	0	71,383	71,383
Enterprise	0	5,497	5,497
Total	\$0	\$168,755	\$168,755

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$99,985	(\$99,985)
Special Revenue	0	27,962	(27,962)
Enterprise	0	699	(699)
Total	\$0	\$128,646	(\$128,646)

Note 5 - Deposits

The Village maintains a deposit pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. All but one of the Village's checking accounts earn interest as of July 31, 2020. The carrying amount of the demand deposits at July 31, 2020, was \$215,531 and the bank balance was \$216,360.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At July 31, 2020, all of the Village's deposits were insured by the Federal Deposit Insurance Corporation.

Note 6 - Taxes

Property Taxes

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 these homestead and rollback amounts that the State reimburses to the Village. 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.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Regional Income Tax Agency (RITA) administers the income tax collections on behalf of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. RITA then remits income taxes collected to the Village on a monthly basis, excluding RITA's administrative costs for administering the income tax.

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. PEP assumes the risk of loss up to the limits of the Village's policy. PEP covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Financial Position

PEP reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2019 (the latest information available):

	2019
Cash and Investments	\$38,432,610
Actuarial Liabilities	\$14,705,917

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. Due to the omission of various payroll records, no determination could be made if the Village has paid all contributions required through July 31, 2020.

Social Security

As of July 31, 2020, the remaining Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. Due to the omission of various payroll records, no determination could be made if the Village has paid all contributions required through July 31, 2020.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020, to date. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020, to date.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended July 31, 2020

Note 10 - Fiscal Caution and Emergency

On October 14, 2014, the Auditor of State declared the Village of Smithfield to be in a state of fiscal caution in accordance with Section 118.025(A) of the Ohio Revised Code.

On February 19, 2015, the Auditor of State declared the Village of Smithfield to be in a state of fiscal emergency in accordance with Section 188.03(A) of the Ohio Revised Code. Based upon the Village's population, the Auditor of State serves as the financial supervisor and has all of the powers and responsibilities of a financial planning and supervision commission.

In accordance with Section 118.06 of the Ohio Revised Code, the Village was required to submit to the financial supervisor a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village developed a recovery plan that included staff reductions, the implementation of a one percent municipal income tax, the signing of an oil and gas lease, and the transfer of the Village's sewer assets and operations to Jefferson County. The Village brought all financial information up to date. The recovery plan was reviewed to determine if the steps outlined eliminated all fiscal emergency conditions.

Note 11 - Subsequent Event

Subsequent to the completion of a final transition audit, the transition period will end and Smithfield Township will then provide all services.

As of the date of this report, July 31, 2020, the Village has had the subsequent bank account activity:

Bank Balance - July 31, 2020	\$215,531
Deposits	75,787
Withdrawals	<u>(108,163)</u>
Bank Balance - October 29, 2020	<u>\$183,155</u>

A check in the amount of \$183,155 was issued to Smithfield Township on October 29, 2020.

Due to the unavailability of records after July 31, 2020, the activity in the above table was not able to be identified by fund.

Village of Smithfield, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Period Ended November 20, 2019

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Unclassified	\$114,716	\$99,454	\$0	\$214,170
Cash Disbursements				
Unclassified	81,826	65,019	0	146,845
<i>Net Change in Fund Cash Balances</i>	32,890	34,435	0	67,325
<i>Fund Cash Balances (Deficit), January 1</i>	112,477	(387,631)	28,739	(246,415)
Fund Cash Balances (Deficit), November 20				
Nonspendable	0	0	28,739	28,739
Restricted	0	249,602	0	249,602
Unassigned (Deficit)	145,367	(602,798)	0	(457,431)
<i>Fund Cash Balances (Deficit), November 20</i>	<u>\$145,367</u>	<u>(\$353,196)</u>	<u>\$28,739</u>	<u>(\$179,090)</u>

See accompanying notes to the basic financial statements

Village of Smithfield, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Period Ended November 20, 2019

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Cash Receipts			
Unclassified	\$4,524	\$3,672	\$8,196
Cash Disbursements			
Unclassified	<u>643</u>	<u>0</u>	<u>643</u>
<i>Net Change in Fund Cash Balances</i>	3,881	3,672	7,553
<i>Fund Cash Balances, January 1</i>	<u>303,559</u>	<u>47,744</u>	<u>351,303</u>
<i>Fund Cash Balances, November 20</i>	<u><u>\$307,440</u></u>	<u><u>\$51,416</u></u>	<u><u>\$358,856</u></u>

See accompanying notes to the basic financial statements

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

Note 1 - Reporting Entity

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

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On November 5, 2019, the residents of the Village of Smithfield voted to surrender the Village's corporate powers. The election results were certified by the Jefferson County Board of Elections on November 20, 2019, at which time the Village's corporate powers were officially surrendered. See Note 11 for additional information.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of cash receipts, cash disbursements and changes in fund cash balances (regulatory cash basis) for all governmental fund types, and a combined statement of cash receipts, cash disbursements and changes in fund cash balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Street Construction, Maintenance, and Repair The Street Construction, Maintenance, and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

Police Salary The Police Salary Fund accounts for and reports that amount of property tax money that has been restricted for the purpose of paying for the cost of police services.

Permanent Fund This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Perpetual Care Fund The Perpetual Care Fund accounts for and reports 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.

Enterprise Fund This fund accounts for and reports 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 fund:

Sewer Fund The Sewer Fund accounts for and reports the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's only fiduciary fund is an agency fund which accounts for Mayor's Court fines and fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

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

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2019 budgetary activity appears in Note 4.

Deposits 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 has no investments in their cash management pool.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Pensions/Other Postemployment Benefits (OPEB)

The Village recognizes the disbursement for employer contributions to pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Village has no assigned amounts at November 20, 2019.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Fire Special Revenue Fund, and the Sewer Operating and Debt Service Enterprise Funds for the period ended November 20, 2019.

Also contrary to Ohio law, at November 20, 2019, the following funds had a deficit cash balance:

<u>Fund</u>	<u>Amount</u>
Street	\$114,686
Police Salary	337,513
Police Protection	147,170
Canine	3,429
Water Revenue	76,152
Sewer Debt Reserve	94,870

Note 4 - Budgetary Activity

Budgetary activity for the period ending November 20, 2019, follows:

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,400	\$114,716	\$31,316
Special Revenue	100,425	99,454	(971)
Enterprise	0	4,524	4,524
Total	\$183,825	\$218,694	\$34,869

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,390	\$81,826	(\$436)
Special Revenue	74,535	65,019	9,516
Enterprise	0	643	(643)
Total	\$155,925	\$147,488	\$8,437

Note 5 - Deposits

The Village maintains a deposit pool that all funds' use. The Ohio Revised Code prescribes allowable deposits and investments. All of the Village's checking accounts earn interest, as of November 20, 2019. The carrying amount of the demand deposits at November 20, 2019, was \$179,766 and the bank balance was \$180,271.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At November 20, 2019, all of the Village's deposits were insured by the Federal Deposit Insurance Corporation.

Note 6 - Taxes

Property Taxes

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 these homestead and rollback amounts that the State reimburses to the Village. 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.

Public utilities are also taxed on personal and real property located within the Village.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Regional Income Tax Agency (RITA) administers the income tax collections on behalf of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. RITA then remits income taxes collected to the Village on a monthly basis, excluding RITA's administrative costs for administering the income tax.

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. PEP assumes the risk of loss up to the limits of the Village's policy. PEP covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

Financial Position

PEP reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2018 (the latest information available):

	2018
Cash and Investments	<u>\$35,381,789</u>
Actuarial Liabilities	(12,965,015)

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. Due to the omission of various payroll records, no determination could be made if the Village has paid all contributions required through November 20, 2019.

Social Security

As of November 20, 2019, the remaining Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. Due to the omission of various payroll records, no determination could be made if the Village has paid all contributions required through November 20, 2019.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Period Ended November 20, 2019

Note 10 - Fiscal Caution and Emergency

On October 14, 2014, the Auditor of State declared the Village of Smithfield to be in a state of fiscal caution in accordance with Section 118.025(A) of the Ohio Revised Code.

On February 19, 2015, the Auditor of State declared the Village of Smithfield to be in a state of fiscal emergency in accordance with Section 188.03(A) of the Ohio Revised Code. Based upon the Village's population, the Auditor of State serves as the financial supervisor and has all of the powers and responsibilities of a financial planning and supervision commission.

In accordance with Section 118.06 of the Ohio Revised Code, the Village was required to submit to the financial supervisor a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village developed a recovery plan that included staff reductions, the implementation of a one percent municipal income tax, the signing of an oil and gas lease, and the transfer of the Village's sewer assets and operations to Jefferson County. The Village brought all financial information up to date. The recovery plan was reviewed to determine if the steps outlined eliminated all fiscal emergency conditions.

Note 11 - Subsequent Event

On November 5, 2019, the residents of the Village of Smithfield voted to surrender the Village's corporate powers. The election results were certified by the Jefferson County Board of Elections on November 20, 2019, at which time the Village's corporate powers were officially surrendered. The Village of Smithfield and Smithfield Township have entered into a transition agreement that sets forth the services to be provided to Village residents that includes police protection and street maintenance and repairs. Additionally, the transition agreement sets forth the process for the transfer of real estate and other assets from the Village to the Township. Subsequent to the completion of a final transition audit, the transition period will end and Smithfield Township will then provide all services to the residents.

On December 6, 2019, the Village was notified by the Ohio Department of Taxation, pursuant to their initial audit findings, that they owe \$50,556 in unremitted State withholding taxes and interest for the period of January 1, 2008, through December 31, 2014. The Village subsequently fulfilled this obligation.

Village of Smithfield, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$30,317	\$73,585	\$0	\$103,902
Municipal Income Tax	43,589	0	0	43,589
Intergovernmental	24,972	56,797	0	81,769
Charges for Services	0	4,455	0	4,455
Fines, Licenses and Permits	5,875	0	0	5,875
Earnings on Investments	14	0	0	14
Royalties	16,825	0	0	16,825
Miscellaneous	11,714	2,700	0	14,414
<i>Total Cash Receipts</i>	<u>133,306</u>	<u>137,537</u>	<u>0</u>	<u>270,843</u>
Cash Disbursements				
Current:				
Security of Persons and Property	0	58,957	0	58,957
Public Health Services	0	3,459	0	3,459
Leisure Time Activities	0	4,008	0	4,008
Transportation	0	34,322	0	34,322
General Government	102,903	0	0	102,903
Debt Service:				
Principal Retirement	705	0	0	705
Interest and Fiscal Charges	19	0	0	19
Other Debt Service	171,391	0	0	171,391
<i>Total Cash Disbursements</i>	<u>275,018</u>	<u>100,746</u>	<u>0</u>	<u>375,764</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(141,712)</u>	<u>36,791</u>	<u>0</u>	<u>(104,921)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	8,326	0	8,326
Transfers Out	(8,326)	0	0	(8,326)
Other Financing Sources	57,146	0	0	57,146
<i>Total Other Financing Receipts (Disbursements)</i>	<u>48,820</u>	<u>8,326</u>	<u>0</u>	<u>57,146</u>
<i>Net Change in Fund Cash Balances</i>	(92,892)	45,117	0	(47,775)
<i>Restated Fund Cash Balances (Deficit), January 1 (See Note 3)</i>	<u>205,369</u>	<u>(432,748)</u>	<u>28,739</u>	<u>(198,640)</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	28,739	28,739
Restricted	0	235,016	0	235,016
Unassigned (Deficit)	112,477	(622,647)	0	(510,170)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>\$112,477</u>	<u>(\$387,631)</u>	<u>\$28,739</u>	<u>(\$246,415)</u>

See accompanying notes to the basic financial statements

Village of Smithfield, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$15,859	\$0	\$15,859
Fines, Licenses and Permits	0	1,882	1,882
<i>Total Operating Cash Receipts</i>	<u>15,859</u>	<u>1,882</u>	<u>17,741</u>
Operating Cash Disbursements			
Contractual Services	2,048	0	2,048
Other	0	680	680
<i>Total Operating Cash Disbursements</i>	<u>2,048</u>	<u>680</u>	<u>2,728</u>
<i>Net Change in Fund Cash Balances</i>	13,811	1,202	15,013
<i>Fund Cash Balances, January 1</i>	<u>289,748</u>	<u>46,542</u>	<u>336,290</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$303,559</u></u>	<u><u>\$47,744</u></u>	<u><u>\$351,303</u></u>

See accompanying notes to the basic financial statements

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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. Please see Note 12 for additional information.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Street Construction, Maintenance, and Repair The street construction, maintenance, and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Salary The police salary fund accounts for and reports that amount of property tax money that has been restricted for the purpose of paying for the cost of police services.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Permanent Fund This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Perpetual Care Fund The perpetual care fund accounts for and reports 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.

Enterprise Fund This fund accounts for and reports 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 fund:

Sewer Fund The sewer fund accounts for and reports the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 5.

Deposits 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.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Pensions/Other Postemployment Benefits (OPEB)

The Village recognizes the disbursement for employer contributions to pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Restatement of Fund Balance

In prior years, the Village posted an incorrect bank transfer that resulted in the overstatement of the General Fund balance.

In prior years, the Village recorded a non-sufficient funds payment that never cleared the bank.

The effects of these adjustments are as follows:

	General Fund	Special Revenue Funds	Permanent Fund	Total Funds
Fund Balance (Deficit) 12/31/17	\$209,545	(\$435,662)	\$28,739	(\$197,378)
Adjustments:				
Bank Transfer	(6,039)	0	0	(\$6,039)
NSF Adjustments	1,863	2,914	0	\$4,777
Restated Fund Balance (Deficit) 12/31/17	<u>\$205,369</u>	<u>(\$432,748)</u>	<u>\$28,739</u>	<u>(\$198,640)</u>

Note 4 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General Fund, Cemetery, Police Salary, Fire, and EMS Special Revenue Funds, and the Sewer Operating Enterprise Fund for the year ended December 31, 2018.

Also contrary to Ohio law, at December 31, 2018, the following funds had a cash deficit balance:

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fund	Amount
Street	\$118,499
Police Salary	348,506
Police Protection	152,213
Canine	3,429
Water Revenue	76,152
Sewer Debt Reserve	94,870

Note 5 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,075	\$190,452	\$76,377
Special Revenue	110,500	145,863	35,363
Enterprise	0	15,859	15,859
Total	\$224,575	\$352,174	\$127,599

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$213,201	\$283,344	(\$70,143)
Special Revenue	100,110	100,746	(636)
Enterprise	500	2,048	(1,548)
Total	\$313,811	\$386,138	(\$72,327)

Note 6 - Deposits and Investments

The Village maintains a deposits and investments pool that all funds use. The Ohio Revised Code prescribes allowable deposits and investments. All of the Village's checking accounts are earning interest, as of December 31, 2018. The carrying amount of the demand deposits at December 31 was \$104,888 and the bank balance was \$106,169.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018, all of the Village's deposits were insured by the Federal Deposit Insurance Corporation.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Taxes

Property Taxes

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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Regional Income Tax Agency (RITA) administers the income tax collections on behalf of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. RITA then remits income taxes collected to the Village on a monthly basis, excluding RITA's administrative costs for administering the income tax.

Note 8 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. PEP assumes the risk of loss up to the limits of the Village's policy. PEP covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Financial Position

PEP reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and Investments	\$35,381,789
Actuarial Liabilities	(12,965,015)

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. Due to the omission of various payroll records, no determination could be made if the Village has paid all contributions required through December 31, 2018.

Social Security

As of December 31, 2018, three Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. Due to the omission of various payroll records, no determination could be made if the Village has paid all contributions required through December 31, 2018.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 11 - Debt

In prior years, Chrysler Capital issued a loan to the Village for the purchase of a new police cruiser. The original loan amount was \$19,066 and was repaid in monthly installments through 2018. The loan was collateralized by the police cruiser that was purchased with said debt. During 2018, the loan was fully repaid and principal and interest amounts were \$705 and \$19, respectively.

The amount shown in Other Debt Service represents payments for outstanding arrearages to Ohio Department of Job and Family Services, Ohio Attorney General, Bureau of Workers' Compensation, Ohio Public Employees Retirement System, and the Auditor of State, totaling \$171,391.

Note 12 - Fiscal Caution and Emergency

On October 14, 2014, the Auditor of State declared the Village of Smithfield to be in a state of fiscal caution in accordance with Section 118.025(A) of the Ohio Revised Code.

On February 19, 2015, the Auditor of State declared the Village of Smithfield to be in a state of fiscal emergency in accordance with Section 188.03(A) of the Ohio Revised Code. Based upon the Village's population, the Auditor of State will serve as the financial supervisor and has all of the powers and responsibilities of a financial planning and supervision commission.

In accordance with Section 118.06 of the Ohio Revised Code, the Village is required to submit to the financial supervisor a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village developed a recovery plan that includes staff reductions, the implementation of a one percent municipal income tax, the signing of an oil and gas lease and the transfer of the Village's sewer assets and operations to Jefferson County. The Village is currently working to bring all financial information up to date, and once all information is current, the recovery plan will be reviewed to determine if the steps outlined will eliminate all fiscal emergency conditions.

Village of Smithfield, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 13 - Subsequent Event

On November 5, 2019, the residents of the Village of Smithfield voted to surrender the Village's corporate powers. The election results were certified by the Jefferson County Board of Elections on November 20, 2019 at which time the Village's corporate powers were officially surrendered. The Village of Smithfield and Smithfield Township have entered into a transition agreement that sets forth the services to be provided to Village residents that includes police protection and street maintenance and repairs. Additionally, the transition agreement sets forth the process for the transfer of real estate and other assets from the Village to the Township. Subsequent to the completion of a final transition audit, the transition period will end and Smithfield Township will then provide all services to the residents.

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VILLAGE OF SMITHFIELD
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
JULY 31, 2020
NOVEMBER 20, 2019
DECEMBER 31, 2018

Employee Withholdings

<i>Finding Number</i>	2020-001
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Finding for Recovery – Repaid Under Audit

Ohio Rev. Code § 145.47 requires public employees who are members of the Ohio Public Employees Retirement System (OPERS) to contribute 10% in 2019 and 2018 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.

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

Ohio Rev. Code § 5747.06(A) requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

Testing identified the following:

- The Village did not withhold OPERS from the Fiscal Officer in 2018, however, the Village remitted an amount equal to what the employee and employer portions should have withheld and remitted. The Fiscal Officer noticed this in 2019, and began withholding the current year OPERS deduction and an additional OPERS deduction for the 2018 amounts not withheld but remitted. The full amount for 2018 was withheld and recovered in 2019 by the Village;
- The Village did not always accurately report wages and withholdings to OPERS based on the monthly Village Payroll Summary Report as there was a variance of \$8 in 2019 the Village owes to OPERS and a variance of \$130 between remittances and the Payroll Summary Report in 2018;
- The Village failed to withhold Medicare and State tax from the checks issued to the Law Director, Cemetery Board Members and Mayor in June and July of 2020; and
- The Village withheld OPERS at 14% in 2019 and 2018 from part time police officers, however, should have withheld 13%. In addition, the Village share remitted to OPERS in 2019 and 2018 for the part time police officers was 10%, however, should have been 18.10%. This resulted in variances for tested Village employees as follows:

2019

Name	Amount withheld	Should have been withheld	Due to employee	Employer Share Due to OPERS	Employer/Employee Share paid to OPERS	Employer Share owed to OPERS
Police Officer 1	\$2,582	\$2,397	\$185	\$3,338	\$2,028	\$1,310

2018

Name	Amount withheld	Should have been withheld	Due to employee	Employer Share due to OPERS	Employer/Employee Share paid to OPERS	Employer share owed to OPERS
Police Officer 1	\$2,679	\$2,488	\$191	\$3,464	\$2,105	\$1,359
Police Officer 2	66	61	5	85	52	33

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 the Village of Smithfield, and McBane Insurance and Financial Services, their insurance company, jointly and severally, for \$2,702 and in the favor of the OPERS. On October 2, 2020, the Village of Smithfield issued check number 22083 in the amount of \$2,702 made payable to the OPERS.

The Fiscal Officer should ensure all eligible employees are members of OPERS and withhold and contribute the required amounts. In addition, the Fiscal Officer should properly withhold and remit Medicare and State Taxes as required.

These matters will be referred to the Internal Revenue Service, Ohio Department of Taxation, and Ohio Public Employees Retirement System.

Employee Timesheets and Compensation

<i>Finding Number</i>	2020-002
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Finding for Recovery – Repaid Under Audit

The Village Fiscal Officer is to work a maximum of 64 hours per pay period, at a rate of \$10.50 per hour, and to turn in a timesheet each pay period to document the number of hours worked. A review of the Fiscal Officer's timesheets for the period November 20, 2019 through July 31, 2020 identified the following:

Pay Period Ending	Hours Paid	Hours Per Time Sheet	Variance	Amount
November 23, 2019	64	60	4	\$42
January 18, 2020	64	66	(2)	(21)
February 15, 2020	64	60	4	42
June 6, 2020	64	62	2	21
Total Overpaid:			8	\$84

As a result, the Fiscal Officer was overpaid by \$84.

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 George Vudrogovic, Fiscal Officer, and McBane Insurance and Financial Services, his bonding company, jointly and severally, for \$84 and in the favor of the Village General Fund. On October 11, 2020, George Vudrogovic, Fiscal Officer, issued a money order made payable to the Village of Smithfield in the amount of \$84.

The Fiscal Officer should ensure the amount of hours paid agrees to the hours worked on the timesheet. This could result in additional findings for recovery being issued.

Accounting System and Accounting Records

<i>Finding Number</i>	2020-003
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Noncompliance and Internal Control Deficiency

Ohio Rev. Code § 733.28 provides the village fiscal officer shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all property owned by the village and income derived there from, and of all the taxes and assessments. **Ohio Rev. Code § 733.43** states, in part, the treasurer of a municipal corporation shall keep an accurate account of all moneys received and all disbursements made.

Ohio Admin. Code Section 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 1172-03 of the Administrative Code.

Ohio Admin. Code Section 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:

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 payer, purpose, receipt number, and other information required for the transaction can be recorded on this ledger;
 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; and
3. 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:

- The Fiscal Officer failed to create and maintain the books of the Village;
- Neither a receipt ledger nor an appropriation ledger was maintained for 2020, 2019 or 2018;
- The Village failed to prepare monthly bank reconciliations; and
- A complete and accurate payroll ledger was not maintained for 2020, 2019 and 2018 as the ledgers did not include the check number, check date, or the fund the employees were paid from.

As a result, the cash journal and reconciliations had to be constructed by Local Government Services (LGS) for 2020, 2019, and 2018. In addition, LGS prepared and filed the Village's annual financial report for each year. These matters prohibited an opinion from being expressed on the Village's financial statements.

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

The Village should 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;
Time sheets (when applicable) should be utilized and should be signed by the employee and an immediate supervisor attesting to their validity;
3. All wage rates, new hires, and appointments should be formally approved by the Board and noted in the minute records; and
4. All withholding remittances should be maintained and on file including the quarterly federal 941 reports, state income tax remittances, and monthly OPERS reports and remittances.

The Village should retain all invoices to help substantiate the amount and purpose of all purchases. Village officials should review the guidelines contained in the Ohio Admin 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.

Annual Appropriation Measure

<i>Finding Number</i>	2020-004
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Noncompliance

Ohio Rev. Code § 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed.

The Village Council did not adopt the 2018 appropriations until December 27, 2018. In addition, the Council failed to pass an appropriation measure for 2020.

This is the result of the Village not reviewing the above Revised Code Section. Failure to pass an appropriation measure, which serves as a tool by which disbursements can be monitored, could result in overspending and has led to negative cash fund balances.

The Village should pass an appropriation measure as required so disbursements can be monitored and to help ensure compliance with the Ohio Rev. Code.

No Amended Official Certificate

<i>Finding Number</i>	2020-005
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Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2020, 2019, or 2018. This was not detected by the Village due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

Improper Certification of Expenditures

<i>Finding Number</i>	2020-006
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Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving 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 Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of members of the legislative authority against any specific line item amount 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 Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession 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 certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, 100% of the transactions tested at year-end were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. In addition, the Village did not issue purchase orders during the audit period. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure 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 Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification could be used.

Disposition of Fines and Other Moneys

<i>Finding Number</i>	2020-007
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Noncompliance

Ohio Rev. Code § 733.40 states, in part, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor 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.

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 the Village General Fund and the amount due the State Treasury. Although the Village was paying fines into the Village accounts, the Mayor's Court Agency fund had a balance of \$47,072, \$51,416, and \$47,744 at July 31, 2020, November 20, 2019, and December 31, 2018, respectively. This is the result of several years of fines being collected and not paid out to the appropriate authorities. The balance in this fund would be 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.

This matter will be referred to the State of Ohio.

Additional Court Costs

<i>Finding Number</i>	2020-008
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Noncompliance

Ohio Rev. Code § 2949.091(A)(1)(a) states, in part, 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 a fine for a set amount depending on the type of offense. In addition, **Ohio Rev. Code §§ 2949.091(A)(1)(b) and 2743.70(A)** require that monies collected for state cost be remitted to the state by the 20th day of the month. Moreover, **Ohio Rev. Code §2949.094(A)** states, in part, the additional courts costs to be assessed upon the offender and the process for waiving fees and payments of court costs. Finally, **Ohio Rev. Code § 2949.111(B)(1)** 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 following is a recap of the amounts collected and remitted by the Village in 2019 and 2018:

Year	Amount Collected	Remitted to Village	Remitted to State	Amount not Remitted
2019	\$3,672	\$3,950	\$0	-
2018	1,883	1,153	113	617

The Village did not provide Mayor's court records for the period November 21, 2019 through July 31, 2020 so a recap could not be completed.

Due to a lack of record keeping, we were not able to determine if the proper amounts were remitted to the required agencies each year.

In addition, the lack of accurate record keeping led to more being paid out in 2020 and 2019 than was collected. Finally, amounts that were paid out were not done so in a timely manner, as for the 2018 amounts remitted to the Village, only \$680 was remitted by year end. The 2019 amounts collected were not remitted until after fiscal year end.

The Mayor's Court Agency fund had a balance of \$47,072, \$51,416, and \$47,744 and at July 31, 2020, November 20, 2019, and December 31, 2018, respectively, which is the cumulative effect of costs being collected and not remitted for several years.

This is the result of the Village not reviewing the above Revised Code Sections and maintaining proper documentation to ensure amounts were remitted to the proper agencies and in a timely manner.

The court should implement procedures to help 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, including 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 may help ensure proper reporting and compliance.

This matter will be referred to the State of Ohio.

Deficit Fund Balances

<i>Finding Number</i>	2020-009
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Noncompliance

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The following funds in the tables below had a deficit fund balances. Negative fund balances could result in the use of restricted receipts for unallowable purposes.

As of July 31, 2020, the following funds had deficit cash balances:

Fund	Deficit
Special Revenue:	
Street	\$99,475
Police Salary	319,865
Police Protection	143,241
Canine	3,429
Water Revenue Enterprise	76,152
Sewer Debt Reserve Enterprise	94,870

As of November 20, 2019, the following funds had deficit cash balances:

Fund	Deficit
Special Revenue	
Street	\$114,686
Police Salary	337,513
Police Protection	147,170
Canine	3,429
Water Revenue Enterprise	76,152
Sewer Debt Reserve Enterprise	94,870

As of December 31, 2018, the following funds had deficit cash balances:

Fund	Deficit
Special Revenue	
Street	\$118,499
Police Salary	348,506
Police Protection	152,213
Canine	3,429
Water Revenue Enterprise	76,152
Sewer Debt Reserve Enterprise	94,870

A procedure(s) and control(s), such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Expenditures Exceeding Appropriations

<i>Finding Number</i>	2020-010
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Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village had expenditures in excess of appropriations as noted in the tables below:

2019:

Fund	Appropriations	Actual Disbursement	Variance	Percent of Variance
General	\$81,390	\$81,826	\$436	1%
Fire Special Revenue	0	202	202	100
Sewer Operating Enterprise	0	583	583	100
Debt Service Enterprise	0	60	60	100

2018:

Fund	Appropriations	Actual Disbursement	Variance	Percent of Variance
General	\$213,201	\$283,344	\$70,143	25%
Special Revenue:				
Cemetery	3,000	3,459	459	13
Police Salary	26,990	30,202	3,212	11
Fire	11,200	16,895	5,785	34
Emergency Medical Services	7,670	11,552	3,882	34
Sewer Operating Enterprise	500	2,048	1,548	76

In addition, the Village did not adopt an appropriation measure for 2020, causing 100% of the disbursements to exceed appropriations.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

System of Internal Controls

<i>Finding Number</i>	2020-011
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Internal Control Deficiency

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. 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.

Internal control consists of several components, one of which is 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 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 reconciliation by someone independent of their preparation.

Lack of effective monitoring controls could lead to theft of Village funds, expenditure of funds contrary to the directives of the governing body, undetected errors affecting the monthly bank versus book reconciliations. A review of the Village's internal controls identified the following:

1. There was no evidence in 2020, 2019, and 2018 the Council approved disbursements prior to being made, nor was evidence provided the Council reviewed disbursements subsequent to being made to ensure they were accurately recorded, necessary, and for a proper public purpose. Additionally, the Council authorized the Fiscal Officer to pay certain bills without needing Council approval;
2. No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the disbursements. In conjunction with the lack of Council monitoring, this could lead to unallowable disbursements and increase the risk of theft;

3. No evidence of the Council's or management's monitoring controls over the monthly and annual financial statements and the revenue and expenditures cycles nor adequate segregation of duties exists; and
4. No evidence of the Council's review of the monthly bank reconciliations.

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 and led to an opinion not being rendered over the Village's financial statements.

The Village should improve internal controls over reporting by implementing the following:

- Receive Council approval on all payments prior to being made;
- Receipts and disbursements should be reconciled to the bank deposits, customer ledgers, and financial ledgers on a monthly basis. Supporting documentation should be available for each figure on the reconciliation; and
- Present monthly bank reconciliations to the Council for their review and approval, which should be documented in the minutes.

Cash Reconciliation Process Errors

<i>Finding Number</i>	2020-012
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Internal Control Deficiency

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Bank to book reconciliations were not prepared or reviewed each month of 2020, 2019, and 2018. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

This led to Local Government Services preparing the monthly bank reconciliations of the Village.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: We did not receive a response from Officials to the findings reported above.

Village of Smithfield

1347 Main Street, P.O. 454
 Smithfield, OH 43948
 (740) 733-7300 F(740) 733-7709

SCHEDULE OF PRIOR AUDIT FINDINGS
JULY 31, 2020
NOVEMBER 20, 2019
DECEMBER 31, 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	Audit Adjustments and Reclassifications	No	Management Letter Recommendation
2017-002	Ohio Rev. Code 733.28 and .43	No	Re-Issued as Finding 2020-003
2017-003	Ohio Admin. Code 117-2-00(A) and 117-2-02(D)	No	Re-Issued as Finding 2020-003
2017-004	Ohio Admin. Code 117-2-01(A)	No	Re-Issued as Finding 2020-011
2017-005	Ohio Rev. Code 5705.38 and 5705.41(B)	No	Re-Issued as Finding 2020-004 and 2020-010
2017-006	Ohio Rev. Code 5705.36	No	Re-Issued as Finding 2020-005
2017-007	Ohio Rev. Code 149.351	Yes	Finding No Longer Valid
2017-008	Default on Debt	Yes	Finding No Longer Valid
2017-009	Ohio Rev. Code 733.40	No	Re-Issued as Finding 2020-007
2017-010	Ohio Rev. Code 5705.10(I)	No	Re-Issued as Finding 2020-009
2017-011	Cash Reconciliations	No	Re-Issued as Finding 2020-012
2017-012	Ohio Rev. Code 5705.41(D)(1)	No	Re-Issued as Finding 2020-006

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SMITHFIELD

JEFFERSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/17/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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