



**VILLAGE OF SMITHFIELD
JEFFERSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF SMITHFIELD
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithfield, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 1998 and December 31, 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1998 and December 31, 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 1, 2000

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**VILLAGE OF SMITHFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$37,346	\$35,037		\$72,383
Intergovernmental Receipts	32,722	61,317		94,039
Fines, Licenses, and Permits	12,246			12,246
Earnings on Investments	1,428			1,428
Miscellaneous	20,041	6,441		26,482
	<u>103,783</u>	<u>102,795</u>		<u>206,578</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	19,785	63,101		82,886
Leisure Time Activities	7,376	14,056		21,432
Transportation	5,541	33,619		39,160
General Government	65,505	813		66,318
Debt Service:				
Principal Payments	1,056	889		1,945
Capital Outlay		21,377		21,377
	<u>99,263</u>	<u>133,855</u>		<u>233,118</u>
Total Cash Disbursements				
	<u>99,263</u>	<u>133,855</u>		<u>233,118</u>
Total Receipts Over/(Under) Disbursements	<u>4,520</u>	<u>(31,060)</u>		<u>(26,540)</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	10,500	21,650		32,150
Transfers-In	392	7,000		7,392
Transfers-Out	(7,000)		(\$392)	(7,392)
Other Uses		(2,103)		(2,103)
	<u>3,892</u>	<u>26,547</u>	<u>(392)</u>	<u>30,047</u>
Total Other Financing Receipts/(Disbursements)				
	<u>3,892</u>	<u>26,547</u>	<u>(392)</u>	<u>30,047</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,412	(4,513)	(392)	3,507
Fund Cash Balances January 1	<u>3,256</u>	<u>13,351</u>	<u>392</u>	<u>16,999</u>
Fund Cash Balances, December 31	<u>\$11,668</u>	<u>\$8,838</u>		<u>\$20,506</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SMITHFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	Agency	
Operating Cash Receipts:					
Charges for Services	\$247,868				\$247,868
Miscellaneous	5	\$595			600
Total Operating Cash Receipts	247,873	595			248,468
Operating Cash Disbursements:					
Personal Services	61,867				61,867
Contractual Services	76,344				76,344
Supplies and Materials	11,476				11,476
Total Operating Cash Disbursements	149,687				149,687
Operating Income/(Loss)	98,186	595			98,781
Non-Operating Cash Receipts:					
Other Non-Operating Receipts	7,510		\$14,981		22,491
Total Non-Operating Cash Receipts	7,510		14,981		22,491
Non-Operating Cash Disbursements:					
Debt Service	106,440				106,440
Other Non-Operating Cash Disbursements	19,210		14,916		34,126
Total Non-Operating Cash Disbursements	125,650		14,916		140,566
Net Receipts Over/(Under) Disbursements	(19,954)	595	65		(19,294)
Fund Cash Balances, January 1	193,345	25,994	170		219,509
Fund Cash Balances, December 31	\$173,391	\$26,589	\$235		\$200,215

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SMITHFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$38,650	\$36,753		\$75,403
Intergovernmental Receipts	29,548	45,307		74,855
Fines, Licenses, and Permits	5,579			5,579
Earnings on Investments	238			238
Miscellaneous	20,197			20,197
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	94,212	82,060		176,272
Cash Disbursements:				
Current:				
Security of Persons and Property	29,370	47,603		76,973
Public Health Services	56			56
Leisure Time Activities	10,466	10,030		20,496
Transportation	7,938	29,905		37,843
General Government	40,048	938		40,986
Debt Service:				
Principal Payments	698			698
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	88,576	88,476		177,052
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	5,636	(6,416)		(780)
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	3,000			3,000
Transfers-In		12,985		12,985
Transfers-Out	(22,721)			(22,721)
Other Uses	(7,756)			(7,756)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(27,477)	12,985		(14,492)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,841)	6,569		(15,272)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances January 1	25,097	6,782	\$392	32,271
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$3,256	\$13,351	\$392	\$16,999
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SMITHFIELD
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1997**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$271,337	\$435		\$271,772
Total Operating Cash Receipts	271,337	435		271,772
Operating Cash Disbursements:				
Personal Services	71,776			71,776
Contractual Services	104,970			104,970
Supplies and Materials	6,815			6,815
Capital Outlay	6,720			6,720
Total Operating Cash Disbursements	190,281			190,281
Operating Income/(Loss)	81,056	435		81,491
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	5,113		\$7,629	12,742
Total Non-Operating Cash Receipts	5,113		7,629	12,742
Non-Operating Cash Disbursements:				
Debt Service	232,819			232,819
Other Non-Operating Cash Disbursements	1,124		7,635	8,759
Total Non-Operating Cash Disbursements	233,943		7,635	241,578
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(147,774)	435	(6)	(147,345)
Transfers-In	9,736			9,736
Net Receipts Over/(Under) Disbursements	(138,038)	435	(6)	(137,609)
Fund Cash Balances, January 1	331,383	25,559	176	357,118
Fund Cash Balances, December 31	\$193,345	\$25,994	\$170	\$219,509

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SMITHFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Smithfield, Jefferson County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

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

C. Cash and Investments

Certificates of deposit are valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Fire Protection Fund - This fund receives local tax money to provide fire protection to the Village.

VILLAGE OF SMITHFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C.O.P.S. Grant Fund - This fund receives monies from a Universal Hiring Program Grant to provide salaries and fringe benefits to police officers.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Bond Retirement Fund - This fund is used to account for money accumulated to repay Village debt.

4. Enterprise Funds

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

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

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

5. Fiduciary Funds (Trust and Agency Funds)

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

Mayors Court Fund - This fund is used to account for all Mayors Court activity.

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF SMITHFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1998</u>	<u>1997</u>
Demand deposits	\$ 196,021	\$ 211,808
Certificates of deposit	<u>24,700</u>	<u>24,700</u>
Total deposits	<u>220,721</u>	<u>236,508</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village

VILLAGE OF SMITHFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 83,183	\$ 114,675	\$ 31,492
Special Revenue	62,261	131,445	69,184
Debt Service	0	0	0
Enterprise	281,319	255,383	(25,936)
Fiduciary	0	595	\$595
Total	<u>\$ 426,763</u>	<u>\$ 502,098</u>	<u>\$ 75,335</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 101,892	\$ 106,263	\$ (4,371)
Special Revenue	71,150	135,958	(42,542)
Debt Service	0	392	(392)
Enterprise	521,671	275,337	246,334
Fiduciary	0	0	0
Total	<u>\$ 694,713</u>	<u>\$ 517,950</u>	<u>\$ 176,763</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 86,668	\$ 97,212	\$ 10,544
Special Revenue	65,813	95,045	29,232
Enterprise	228,006	286,186	58,180
Fiduciary	0	435	435
Total	<u>\$ 380,487</u>	<u>\$ 478,878</u>	<u>\$ 98,391</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 102,753	\$ 119,053	\$ (16,300)
Special Revenue	70,513	88,476	(17,963)
Enterprise	179,965	424,224	(244,259)
Fiduciary	0	0	0
Total	<u>\$ 353,231</u>	<u>\$ 631,753</u>	<u>\$ (278,522)</u>

**VILLAGE OF SMITHFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Several funds had expenditures which exceeded appropriations during 1997 and during 1998, contrary to provision of Ohio Revised Code § 5705.41 (B).

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 175,724	7.55%
General Obligation Note	10,000	6.38%
United States Department of Agriculture - Rural Development Loan	943,000	5.75%
Commercial Bank Loan - Bank One	1,672	9.50%
Police Cruiser Loan	21,026	6.00%
Backhoe Loan	<u>10,550</u>	6.00%
Total	<u>\$ 1,161,972</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer line installation project for the Village. The OWDA originally approved \$546,863 in a loan to the Village for this project. The loan will be repaid in semiannual installments from 1991 to 2001.

The general obligation note was issued to provide the matching amount as required by a water grant. The note is renewed annually in the amount of the outstanding principal balance.

The United State Department of Agriculture-Rural Development loan (formerly Farmers Home Administration) was issued for the construction of a sanitary sewer system. The amount originally approved was \$1,000,000 in a loan to the Village for this project. This loan will be repaid in annual installments from 1993 through 2012.

VILLAGE OF SMITHFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan	USDA Loan	General Obligation Loan	Commercial Bank Loan
1999	\$ 79,852	\$ 63,740	\$ 2,837	\$ 1,153
2000	79,852	64,222	2,710	673
2001	39,926	64,647	2,582	0
2002	0	65,015	2,455	0
2003	0	64,325	0	0
Subsequent	0	1,931,202	0	0
Total	<u>\$ 199,630</u>	<u>\$ 2,253,151</u>	<u>\$ 10,584</u>	<u>\$ 1,826</u>

Year ending December 31:	Police Cruiser Loan	Backhoe Loan
1999	\$ 5,033	\$ 2,453
2000	5,033	2,453
2001	5,033	2,453
2002	5,033	2,453
2003	4,138	2,425
Subsequent	0	0
Total	<u>\$ 24,270</u>	<u>\$ 12,237</u>

6. RETIREMENT SYSTEMS

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle



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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Smithfield, Jefferson County, Ohio (the Village), as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated June 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-31241-001 through 1998-31241-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 1, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-31241-005 through 1998-31241-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Village in a separate letter dated June 1, 2000.

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

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

Jim Petro
Auditor of State

June 1, 2000

**VILLAGE OF SMITHFIELD
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 1998-31241-001

Between October 14, 1998 and July 8, 1999, the following checks were drawn from the Village's COPS Universal Hiring Grant checking account, which was established and used only for grant transactions:

Check #	Payee	Date	Amount	Endorsed By:
582	Cash	10/14/98	\$ 478.00	Bernice Wilson
596	Petty Cash	11/12/98	400.00	Bernice Wilson
578	Bernice Wilson	11/27/98	375.75	Bernice Wilson
609	Aux. Police Department	12/7/98	234.00	Bernice Wilson
617	Bernice Wilson	12/29/98	375.75	Bernice Wilson
633	Petty Cash	1/26/99	375.75	Bernice Wilson & R.S. Zimmer, Police officer
638	Bernice Wilson	2/18/99	402.00	Bernice Wilson
643	Petty Cash	3/18/99	450.00	Bernice Wilson & C. Damero, Granddaughter
656	Bernice Wilson	3/29/99	158.85	Bernice Wilson & C. Damero, Granddaughter
670	Bernice Wilson	4/23/99	75.00	Bernice Wilson
677	Petty Cash	5/7/99	628.80	Bernice Wilson
711	Cash	5/24/99	299.14	Bernice Wilson
712	Cash	5/28/99	250.00	Bernice Wilson & C. Damero, Granddaughter
725	Cash	6/7/99	3,617.75	Bernice Wilson
580	Cash	7/21/99	<u>420.00</u>	Bernice Wilson & C. Damero, Granddaughter
		TOTAL	<u>\$ 8,540.79</u>	

COPS Universal Hiring Grant monies can be used only for the salaries and approved benefits for sworn entry level, lateral-transfer or rehired officers. None of the checks listed above were drawn to pay for salaries or benefits of such police officers and could not be supported by any documentation, other than the canceled checks.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery is hereby issued against Bernice Wilson, in the total amount of eight thousand five hundred forty dollars and seventy nine cents (\$8,540.79) and in favor of the Village of Smithfield COPS Grant fund in the amount of eight thousand five hundred forty dollars and seventy nine cents (\$8,540.79).

FINDING NUMBER 1998-31241-002

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

**VILLAGE OF SMITHFIELD
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

The Clerk/Treasurer did not record all moneys received and expended by the Village during 1998 and 1997. The village books did not reflect the Police Auxiliary Fund in 1998 and 1997 nor the C.O.P.S. Grant Fund activity in 1998. All appropriate adjustments have been posted to the financial statements and are reflected on the financial statements in this report.

The Clerk/Treasurer should record each transaction so that accurate statements of all moneys received and expended and of all property owned by the Village can be exhibited.

FINDING NUMBER 1998-31241-003

Ohio Revised Code § 5705.41(B) provides that any taxing unit shall not make any expenditure unless it has been properly appropriated. The following funds were found to have expenditures which exceeded appropriations by 7% or more:

1998:

Special Revenue Fund Type:

Street Construction, Maintenance & Repair Fund
Permissive Tax Fund
Appalachian Grant Fund
Police Salary Fund
Police Protection Fund
C.O.P.S. Grant Fund

Debt Service Fund

Enterprise Fund Type:

Cemetery Operating Fund
Sewer Guarantee Fund
Water Guarantee Fund

1997:

General Fund

Special Revenue Fund Type:

Street Construction, Maintenance, & Repair Fund
Appalachian Grant Fund
Police Salary Fund
Police Protection Fund
EMS Fund

Enterprise Fund Type:

Cemetery Operating Fund
Sewer Tap-In Fund
Sewer Debt Service Fund
Sewer Guarantee Fund
Water Guarantee Fund
Water Revenue Fund
Sewer Revenue Fund

The Village Clerk/Treasurer should monitor disbursements more closely during the year so that disbursements do not exceed the amount appropriated for each fund.

FINDING NUMBER 1998-31241-004

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

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

**VILLAGE OF SMITHFIELD
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

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

During 1998, 27% of the liabilities, contracts, or open purchase commitments tested were not certified by the clerk/treasurer and were not encumbered until the time of payment. These commitments were not subsequently approved by the Council within the aforementioned 30 day time period. During 1997, 51% of the liabilities, contracts, or open purchase commitments tested were not certified by the clerk/treasurer and were not encumbered until the time of payment.

Each liability, contract and open purchase commitment should be certified and encumbered prior to making the actual expenditure.

FINDING NUMBER 1998-31241-005

The fiscal officer handles all financial record keeping including receipting, posting and reconciling to the depository. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents or through errors that are not detected in a timely manner.

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the financial records, including but not limited to, reconciliations, payroll withholding and retirement settlements, cashbooks and ledgers, to determine accuracy and to add some assurance that proper procedures are being followed by the Clerk/Treasurer. These periodic reviews should be noted in the minutes and each reviewed document should be initialed by the reviewer.

FINDING NUMBER 1998-31241-006

Source documentation was not always attached to vouchers to support the validity of expenditures. Therefore, it could not always be determined what item or service was purchased or if the expenditure was for a proper public purpose.

All source documentation, including purchase order, invoice and copy of the warrant should be attached to each voucher to provide evidence of the validity of the expenditures.

FINDING NUMBER 1998-31241-007

The Village should establish an Audit Committee to serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the Village's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

Meeting with the Village's independent auditors before and after each audit;

Monitoring the progress of the financial and compliance audit;

Evaluating the results of the financial and compliance audit; and

Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Village's legal compliance, financial condition, and controls over the safeguarding of assets.

**VILLAGE OF SMITHFIELD
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

The audit committee can include members of the Village Council. However, it can also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the Village's financial operations, such as attorneys or bankers.

FINDING NUMBER 1998-31241-008

Disbursement vouchers and/or purchase orders were not always signed by Council to document approval of the expenditure nor was the approval of expenditures noted in the minutes.

All vouchers and/or purchase orders should be signed by at least one Council member for approval and the Clerk/Treasurer for proper certification. A list of all bills presented for payment should also be part of the council meeting minutes. Implementation of these procedures will help to improve controls over the disbursement cycle by ensuring that Village money is spent for a proper public purpose.

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1998 - 1997**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1996-31241-01	Finding for Recovery against Janice M. Brown for purchases without supporting documentation.	No	Legal action to be taken.
1996-31241-02	Ohio Revised Code Section 733.28 and 733.45 The Village records were not maintained.	No	Not corrected.
1996-31241-03	Ohio Revised Code Section 5705.41(B) Expenditures exceeded Appropriations.	No	Not corrected.
1996-31241-04	Ohio Revised Code Section 117.38 No annual financial statements filed for 1996 and 1995 with the Auditor of State.	No	Not corrected.
1996-31241-05	Ohio Revised Code Section 5705.41 (A) Appropriations exceeded Estimated Revenue Available.	Yes	Corrected.
1996-31241-06	Accounting records to be reviewed by Council.	No	Not corrected.
1996-31241-07	Debt Files to be maintained.	Yes	Corrected.
1996-31241-08	Source documentation to be attached to vouchers.	No	Not corrected.
1996-31241-09	Accounting records to be maintained.	No	Not corrected.
1996-31241-10	Approval of disbursements to be in minutes.	No	Not corrected.



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OFFICE OF THE AUDITOR

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VILLAGE OF SMITHFIELD

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 21, 2000**