



Dave Yost • Auditor of State

**Village of Smithfield
Jefferson County, Ohio**

**Fiscal Emergency Analysis
As of December 31, 2014 and January 31, 2015**

Local Government Services Section

Village of Smithfield, Jefferson County

Fiscal Emergency Analysis

Table of Contents

Declaration of Fiscal Emergency 3

Introduction..... 5

Condition One: Default on Any Debt Obligation 5

Condition Two: Payment of All Payroll 6

Condition Three: Increase in Minimum Levy..... 7

Condition Four: Past Due Accounts Payable from the General Fund and All Funds 7

Condition Five: Deficit Fund Balances..... 8

Condition Six: Treasury Deficiency 8

Summary 9

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Smithfield pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of Smithfield as defined in Sections 118.03(A)(1) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Richard T. Boyd, Mayor of the Village of Smithfield; Nicole Pflugh, Council President of the Village of Smithfield; John Kasich, Governor; Jon Husted, Secretary of State; Josh Mandel, Treasurer of State; Timothy S. Keen, Director of the Office of Budget and Management and Patrick J. Marshall, County Auditor and Secretary of the Jefferson County Budget Commission.

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

DAVE YOST
Auditor of State

February 19, 2015

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Village of Smithfield, Jefferson County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State initiated a fiscal analysis for the Village of Smithfield, Jefferson County (the Village). The purpose of this analysis is to determine if the financial condition of the Village justifies the declaration of a fiscal emergency.

A village is placed in fiscal emergency if any one of the six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the village which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in village funds; and 6) a sizeable deficiency when the village’s treasury balance is compared to the positive cash balances of the village’s funds.

The year-end conditions described under Conditions four, five, and six do not constitute a fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State’s determination that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2014, and January 31, 2015, the date of determination.

Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

We reviewed the outstanding indebtedness of the Village as of December 31, 2014, which consisted of two debt issues. A summary of the Village’s outstanding debt is presented below:

Debt Issue	Rate	Issue Date	Issue Amount
General Obligation Loan:			
Chrysler Capital Credit Corporation Police Cruiser Loan	11.04%	May 30, 2013	\$25,100
Enterprise Fund Mortgage Revenue Bond:			
United States Department of Agriculture Rural Development Water Bonds - 2011	5.75%	May 1, 2002	1,000,000

We obtained a list of outstanding debt from the 2010 audited financial statements and from the the Chrysler Capital Credit Corporation and the United States Department of Agriculture Rural Development Department based on information provided by the Village. We confirmed that the Village was current on the outstanding Police Cruiser Loan as of January 31, 2015 based upon billing statements, invoices, or requests for payment per the amortization schedule. The Village was not able to make the January 1, 2015 payment to the United States Department of Agriculture and Rural Development (USDA) in the amount of \$63,825. As of January 31, 2015, the Village was still unable to make the payment, and as a result the Village has been delinquent on the USDA Sanitary Sewer Mortgage Revenue Bond for more than 30 days.

Village of Smithfield, Jefferson County

Fiscal Emergency Analysis

The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented below:

Debt Issue	Interest Rate	Principal or Interest Payment Date	Amount Due	Payments 30 Days Past Due at February 2, 2015
<i>General Obligation Loan:</i>				
Chrysler Capital Credit Corporation Police Cruiser Loan	11.04%	January 30, 2015	\$418	\$0
<i>Enterprise Fund Mortgage Revenue Bond:</i>				
United States Department of Agriculture Rural Development Sanitary Sewer Mortgage Revenue Bond	5.75%	January 1, 2015	63,825	63,825

Conclusion: A fiscal emergency condition does exist under Ohio Revised Code Section 118.03(A)(1). As of January 31, 2015, the Village has not made its annual payment on the United States Department of Agriculture Rural Development (USDA) Mortgage Revenue Bond in the amount of \$63,825.

Condition Two – Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of December 31, 2014 and as of January 31, 2015. We obtained and reviewed a listing of all Village employees, scheduled pay dates, whether any extensions for the payment of payroll existed, and cancelled checks from the Village Fiscal Officer. We reviewed payroll reports and interviewed various council members and the fiscal officer to see if payroll checks were issued on the scheduled pay dates. These procedures were performed to ascertain whether Village employees had been paid within the time specified by Section 118.03(A)(2) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of January 31, 2015. All employees have been paid in amounts and at the times required by Village ordinance.

Village of Smithfield, Jefferson County

Fiscal Emergency Analysis

Condition Three – Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Jefferson County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village for 2014, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Jefferson County Budget Commission indicated that the Budget Commission had not taken any action for 2015 to increase the inside millage of the Village, and no other subdivision's inside millage was reduced.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of January 31, 2015. The Jefferson County Budget Commission has not taken any action to increase the inside millage of the Village, thus reducing another subdivision's millage.

Condition Four – Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

Due to incomplete financial records, we were unable to prepare a complete schedule of accounts payable as of December 31, 2014 for any items that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay. A review would have included, but would not have been limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From that amount, the year-end fund balance available in the general fund would be subtracted to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Conclusion: Due to the lack of complete financial records as of December 31, 2015 and January 31, 2015, this fiscal emergency condition under Section 118.03(A)(4) of the Ohio Revised Code, could not be determined.

Village of Smithfield, Jefferson County

Fiscal Emergency Analysis

Condition Five – Deficit Fund Balances

Section 118.03(A)(5), of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

The Village of Smithfield has not maintained its journals and ledgers and has not reconciled with the bank since December 31, 2010.

Conclusion: Due to the lack of bank to cash reconciliations as of December 31, 2014 and January 31, 2015, a determination for this fiscal emergency condition under Section 118.03(A)(6) of the Ohio Revised Code, could not be determined.

Section 118.03(B), Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all deficit amounts of deficit funds, as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code, to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds, shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

The Village of Smithfield has not maintained its journals and ledgers and has not reconciled with the bank since December 31, 2010.

Conclusion: Due to the lack of bank to cash reconciliations as of December 31, 2014 and January 31, 2015, this fiscal emergency condition under Sections 118.03(A) (5), 118.03 (A)(6) and 118.03 (B) of the Ohio Revised Code, could not be determined.

Condition Six – Treasury Deficiency

Section 118.03(A)(6), of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

Village of Smithfield, Jefferson County

Fiscal Emergency Analysis

As of December 31, 2014 and January 31, 2015, the Village of Smithfield has not reconciled its journals and ledgers with the bank. The last reconciliation completed for the Village was as of December 31, 2010.

Conclusion: Due to the lack of bank to cash reconciliations as of December 31, 2014 and January 31, 2015, this fiscal emergency condition under Section 118.03(A)(6) of the Ohio Revised Code, could not be determined.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the Village of Smithfield as defined in 118.03(A)(1) of the Ohio Revised Code as presented as of January 31, 2015.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

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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
FEBRUARY 19, 2015**