



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Village Council
Village of South Charleston
35 South Chillicothe Street
South Charleston, Ohio 45368

We have reviewed the *Independent Auditor's Report* of the Village of South Charleston, Clark County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Charleston is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 28, 2014

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Clark County
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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Village of South Charleston
Clark County
35 South Chillicothe Street
South Charleston, Ohio 45368

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of South Charleston, Clark County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriations of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

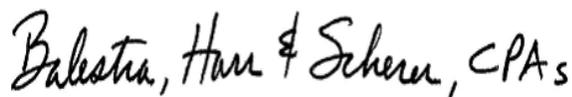
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of South Charleston, Clark County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 21, 2014

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 58,602	\$ -	\$ -	\$ 58,602
Municipal Income Tax	527,143	-	-	527,143
Intergovernmental	52,576	79,414	-	131,990
Charges for Services	10	19,866	-	19,876
Fines, Licenses, and Permits	56,427	1,627	-	58,054
Earnings on Investments	349	125	38	512
Miscellaneous	22,786	-	-	22,786
	<u>717,893</u>	<u>101,032</u>	<u>38</u>	<u>818,963</u>
Total Cash Receipts				
	<u>717,893</u>	<u>101,032</u>	<u>38</u>	<u>818,963</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	172,917	-	-	172,917
Public Health Services	-	8,919	-	8,919
Transportation	1,800	21,350	-	23,150
General Government	389,743	437	-	390,180
Capital Outlay	10,404	36,655	-	47,059
Debt Service:				
Redemption of Principal	-	12,728	-	12,728
Interest and Fiscal Charges	-	95	-	95
	<u>574,864</u>	<u>80,184</u>	<u>-</u>	<u>655,048</u>
Total Cash Disbursements				
	<u>574,864</u>	<u>80,184</u>	<u>-</u>	<u>655,048</u>
Total Cash Receipts Over/(Under) Cash Disbursements	143,029	20,848	38	163,915
Other Financing Receipts and (Disbursements):				
Other Financing Uses	-	(1,100)	-	(1,100)
Total Other Financing Receipts (Disbursements)	-	(1,100)	-	(1,100)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	143,029	19,748	38	162,815
Fund Cash Balances, January 1	<u>301,694</u>	<u>87,393</u>	<u>6,192</u>	<u>395,279</u>
Non-spendable	-	-	2,500	2,500
Restricted	-	107,141	3,730	110,871
Assigned	165	-	-	165
Unassigned	444,558	-	-	444,558
	<u>444,723</u>	<u>107,141</u>	<u>6,230</u>	<u>558,094</u>
Fund Cash Balances, December 31	<u>\$ 444,723</u>	<u>\$ 107,141</u>	<u>\$ 6,230</u>	<u>\$ 558,094</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 419,176	\$ -	\$ 419,176
Court Fines and Costs	-	47,902	47,902
	<u>419,176</u>	<u>47,902</u>	<u>467,078</u>
Operating Cash Disbursements:			
Personal Services	38,768	-	38,768
Contractual Services	132,852	-	132,852
Supplies and Materials	58,078	-	58,078
Other	3,064	-	3,064
Distribution of Court Fines	-	47,902	47,902
	<u>232,762</u>	<u>47,902</u>	<u>280,664</u>
Total Operating Cash Disbursements			
	<u>232,762</u>	<u>47,902</u>	<u>280,664</u>
Operating Income/(Loss)	186,414	-	186,414
Non-Operating Cash Receipts (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	368,945	-	368,945
Intergovernmental	9,990	-	9,990
Capital Outlay	(257,283)	-	(257,283)
Redemption of Principal	(307,231)	-	(307,231)
Interest and Other Fiscal Charges	(31,622)	-	(31,622)
	<u>(217,201)</u>	<u>-</u>	<u>(217,201)</u>
Total Non-Operating Cash Receipts (Disbursements)			
	<u>(217,201)</u>	<u>-</u>	<u>(217,201)</u>
Net Receipts Over/(Under) Disbursements	(30,787)	-	(30,787)
Fund Cash Balances, January 1	<u>308,368</u>	<u>-</u>	<u>308,368</u>
Fund Cash Balances, December 31	<u>\$ 277,581</u>	<u>\$ -</u>	<u>\$ 277,581</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property Taxes	\$ 61,178	\$ -	\$ -	\$ -	\$ 61,178
Municipal Income Tax	476,624	-	-	-	476,624
Intergovernmental	88,380	86,258	222,964	-	397,602
Charges for Services	51	15,011	-	-	15,062
Fines, Licenses, and Permits	53,212	1,447	-	-	54,659
Earnings on Investments	421	254	-	44	719
Miscellaneous	3,760	-	-	-	3,760
Total Cash Receipts	<u>683,626</u>	<u>102,970</u>	<u>222,964</u>	<u>44</u>	<u>1,009,604</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	174,785	63	-	-	174,848
Public Health Services	-	15,132	-	-	15,132
Transportation	2,367	36,233	-	-	38,600
General Government	413,624	314	-	-	413,938
Capital Outlay	49,135	29,746	272,964	-	351,845
Debt Service:					
Redemption of Principal	-	12,815	-	-	12,815
Interest and Fiscal Charges	-	521	-	-	521
Total Cash Disbursements	<u>639,911</u>	<u>94,824</u>	<u>272,964</u>	<u>-</u>	<u>1,007,699</u>
Total Cash Receipts Over/(Under) Cash Disbursements	43,715	8,146	(50,000)	44	1,905
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	-	-	50,000	-	50,000
Other Financing Uses	-	(1,270)	-	-	(1,270)
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>(1,270)</u>	<u>50,000</u>	<u>-</u>	<u>48,730</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	43,715	6,876	-	44	50,635
Fund Cash Balances, January 1	<u>257,979</u>	<u>80,517</u>	<u>-</u>	<u>6,148</u>	<u>344,644</u>
Non-spendable	-	-	-	2,500	2,500
Restricted	-	87,393	-	3,692	91,085
Assigned	1,175	-	-	-	1,175
Unassigned	<u>300,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,519</u>
Fund Cash Balances, December 31	<u>\$ 301,694</u>	<u>\$ 87,393</u>	<u>\$ -</u>	<u>\$ 6,192</u>	<u>\$ 395,279</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 451,671	\$ -	\$ 451,671
Court Fines and Costs	-	42,385	42,385
	<u>451,671</u>	<u>42,385</u>	<u>494,056</u>
Operating Cash Disbursements:			
Personal Services	33,220	-	33,220
Contractual Services	135,691	-	135,691
Supplies and Materials	25,904	-	25,904
Other	3,518	-	3,518
Distribution of Court Fines	-	42,385	42,385
	<u>198,333</u>	<u>42,385</u>	<u>240,718</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	253,338	-	253,338
Non-Operating Cash Receipts (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	97,377	-	97,377
Capital Outlay	(110,189)	-	(110,189)
Redemption of Principal	(168,900)	-	(168,900)
Interest and Other Fiscal Charges	(38,335)	-	(38,335)
	<u>(220,047)</u>	<u>-</u>	<u>(220,047)</u>
Total Non-Operating Cash Receipts (Disbursements)			
Net Receipts Over/(Under) Disbursements	33,291	-	33,291
Fund Cash Balances, January 1	<u>275,077</u>	<u>-</u>	<u>275,077</u>
Fund Cash Balances, December 31	<u>\$ 308,368</u>	<u>\$ -</u>	<u>\$ 308,368</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of South Charleston, Clark 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. Pursuant to the provisions of Article XVIII of the Constitution of Ohio, the voters of the Village adopted a charter for the government of the Village on October 16, 1917. The Village is directed by a publicly-elected three-member Commission. The Village provides governmental services, including water and sewer utilities, and police services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village records certificates of deposit and U. S. Savings Bonds at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Construction Fund – This fund receives grants and loans from various sources to repair and upgrade the intersection between State Route 41 and State Route 42.

4. Permanent Funds

These funds account for and report 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:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's Cemetery.

5. Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds

Fiduciary Funds include private purpose trust 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 the activity of the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2013, 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:

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

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

2. 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.

3. Committed

The 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.

4. 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.

5. 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.

G. Property, Plant and Equipment

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	2013	2012
Demand Deposits	\$833,175	\$701,147
Certificates of Deposit	<u>1,000</u>	<u>1,000</u>
Total Deposits	834,175	702,147
U. S. Savings Bonds	<u>1,500</u>	<u>1,500</u>
Total deposits and investments	<u>\$835,675</u>	<u>\$703,647</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution of the Village.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$502,427	\$717,893	\$215,466
Special Revenue	104,270	101,032	(3,238)
Permanent	0	38	38
Enterprise	<u>830,835</u>	<u>798,111</u>	<u>(32,724)</u>
Total	<u>\$1,437,532</u>	<u>\$1,617,074</u>	<u>\$179,542</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$774,443	\$575,029	\$199,414
Special Revenue	187,098	81,502	105,596
Permanent	0	0	0
Enterprise	<u>1,085,536</u>	<u>831,686</u>	<u>253,850</u>
Total	<u>\$2,047,077</u>	<u>\$1,488,217</u>	<u>\$558,860</u>

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$686,243	\$683,626	(\$2,617)
Special Revenue	109,870	102,970	(6,900)
Capital Projects	272,964	272,964	0
Permanent	25	44	19
Enterprise	551,931	549,048	(2,883)
Total	\$1,621,033	\$1,608,652	(\$12,381)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$874,595	\$641,086	\$233,509
Special Revenue	179,333	96,312	83,021
Capital Projects	272,964	272,964	0
Permanent	3,673	0	3,673
Enterprise	801,918	518,545	283,373
Total	\$2,132,483	\$1,528,907	\$603,576

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Commission 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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to 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.

5. Local Income Tax

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.

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. During 2013 and 2012, Regional Income Tax Agency (R.I.T.A.) collected income taxes for the Village.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1896/0979	\$ 76,977	7.59%
Ohio Water Development Authority Loan #3450/0279	27,845	2.00%
Ohio Water Development Authority Loan #3454/143DW	872,845	2.00%
Ohio Water Development Authority Loan #3941	35,252	2.00%
Ohio Water Development Authority Loan #3573/CA	46,872	2.00%
Ohio Water Development Authority Loan #6468 S	182,799	1.50%
Ohio Water Development Authority #6333 W	149,691	2.00%
Ohio Public Works Commission Loan #CT18J	46,250	0.00%
	<u>\$ 1,438,531</u>	

The Ohio Water Development Authority (OWDA) loan #1896/0979 relates to a sewer plant expansion project; loan #3450/0279 relates to a water tower painting project; loan #3454/143DW relates to a new well field and water system upgrade project; loan #3941 relates to a new waste water treatment plant pump station; loan #3573/CA relates to water meter and tank improvements; loan #6468 S and #CT18J relate to a waste water system upgrade; and loan #6333 W relates to the purchase of radio readable water meters. Loan #6468 S and #6333 W balances are not included in the table below as the project is not complete and amortization schedules have not been finalized. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Amortization of the above debt, including interest of \$97,204, is scheduled as follows:

	<u>OWDA Notes</u>	<u>OPWC Loan</u>	<u>Total</u>
Year Ending December 31:			
2014	\$ 104,252	\$ 1,250	\$ 105,502
2015	167,094	2,500	169,594
2016	125,684	2,500	128,184
2017	125,684	2,500	128,184
2018	125,684	2,500	128,184
2019-2023	506,644	12,500	519,144
2024-2028	1,953	12,500	14,453
2029-2032	-	10,000	10,000
Total	<u>\$ 1,156,995</u>	<u>\$ 46,250</u>	<u>\$ 1,203,245</u>

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Retirement Systems

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other Village employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their gross wages through June 30, 2013, and contributed 10.75% of their gross wages for the remainder of 2013 and OPERS members contributed 10% of their gross salaries. The Village contributed to OP&F an amount equaling 19.5% of full time police members' wages and 14% of OPERS participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 ARPCO. Member Villages 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. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management (Continued)

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$25,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2012</u>
\$29,269	\$28,536

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of South Charleston
Clark County
35 South Chillicothe Street
South Charleston, Ohio 45368

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of South Charleston, Clark County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* 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. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002, described in the accompanying schedule of findings, to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

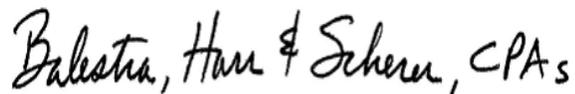
We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 21, 2014.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 21, 2014

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-001

Material Weakness – Segregation of Duties

There is insufficient segregation of duties in the Village. Due to the size of the Village and the number of employees, the Clerk prepares checks, reconciles the bank account, records receipts, prepares deposits, and opens the mail for the Village.

Proper internal control procedures require the various duties be segregate among different employees. The duties of collecting, recording, depositing, reconciling, and disbursing of Village monies should be separated. Failure to maintain sufficient segregation of duties could allow errors and/or irregularities to go undetected without the knowledge of the Village Council.

In a small operation, such as the Village of South Charleston, it is not always possible to have enough staff to properly segregate duties. Understanding this, we recommend the Mayor, Administrator or Council take a more active role in monitoring transactions, such as examining cancelled checks and reviewing bank reconciliations. We recommend these reviews be random and sporadic, rather than scheduled. Such reviews would act as a deterrent to irregularities and would allow the Village an opportunity to timely detect and correct any errors that may occur.

Client Response:

The Village intends to institute the necessary reviews and monitoring controls needed when one individual performs all the duties within an accounting cycle. It is not financially feasible for the Village to add another position.

FINDING NUMBER 2013-002

Material Weakness – Financial Reporting

Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC /section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipt number, check number, account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number and other information necessary to record the transaction on this ledger, and 3) Appropriation ledger to assemble and classify disbursements into separate funds and accounts for, at a minimum, each fund and account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information necessary to record the transaction in the appropriate columns.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Material Weakness – Financial Reporting (Continued)

Below are descriptions of the types of adjustments and reclassifications that were deemed material and required posting to the Village's December 31, 2013 and 2012 financial statements.

- Misclassification of intergovernmental receipts in the General, Street Construction, Maintenance and Repair, State Highway Improvement, and Permissive Motor Vehicle License Tax Funds.
- Misclassification of property tax receipts at net rather than gross.
- Misclassification of loan principal payments as transportation in the Street Construction, Maintenance and Repair Fund.
- Misclassification of grant receipts in the General Fund rather than the FEMA Fund.
- Misclassification of receipts from the sale of notes in the Capital Projects Fund rather than the Utility Improvement Fund for Water and Waste Water improvements.
- Failure to record some direct pay on behalf of the Village for Water and Waste Water improvements as receipts and capital outlay disbursements.

The fact that posting errors resulting in reclassification and adjusting entries occurred indicates a deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Village for 2013 and 2012.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Village Clerk review the Ohio Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response:

The Village Clerk is in the process of addressing all of the issues indicated.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY
DECEMBER 31, 2013 AND 2012**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness Segregation of Duties	No	Reissued as 2013-001
2011-002	Material Weakness Financial Reporting	No	Reissued as 2013-002
2011-003	Material Non-Compliance ORC Section 5705.36(A)(4)	Yes	
2011-004	Material Non-Compliance ORC Section 5705.39	Yes	



Dave Yost • Auditor of State

VILLAGE OF SOUTH CHARLESTON

CLARK 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
MAY 8, 2014