



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2017 and 2016
Fiscal Year Audited Under GAGAS: 2017 and 2016

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Dave Yost • Auditor of State

Village Council
Village of South Charleston
35 S Chillicothe St
South Charleston, OH 45368

We have reviewed the *Independent Auditor's Report* of the Village of South Charleston, Clark County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2016 through December 31, 2017. 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.

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Dave Yost
Auditor of State

November 27, 2018

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CLARK COUNTY
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INDEPENDENT AUDITOR'S REPORT

Village of South Charleston
Clark County
35 South Chillicothe Street
P.O. Box X
South Charleston, Ohio 45368

To the Village Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of South Charleston, Clark County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such opinion. An audit also includes evaluating the appropriateness 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Accounting 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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village reported the Cemetery Bequest Funds cash balances of \$5,321 and \$5,351 at December 31, 2017 and 2016, respectively and representing 100 percent of the ending balance of the Permanent Fund, without obtaining the trust agreements to support this classification. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Permanent Fund Cemetery Bequest Funds. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, 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, 2017 and 2016, and its combined cash receipts and disbursements for the years ended in accordance with the financial reporting provision Ohio Revised Code Section 117-2-03(D) permit, described in Note 2.

Unmodified 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 General, Special Revenue, Enterprise, Private Purpose Trust and Agency Funds of the Village of South Charleston, Clark County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, 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.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
September 24, 2018

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 67,898	\$ -	\$ -	\$ 67,898
Municipal Income Tax	625,322	-	-	625,322
Intergovernmental	23,211	78,894	-	102,105
Charges for Services	614	13,458	-	14,072
Fines, Licenses, and Permits	41,384	1,049	-	42,433
Earnings on Investments	310	99	30	439
Miscellaneous	36,114	-	-	36,114
Total Cash Receipts	<u>794,853</u>	<u>93,500</u>	<u>30</u>	<u>888,383</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	213,463	-	-	213,463
Public Health Services	-	8,682	-	8,682
Basic Utility Services	1,475	-	-	1,475
Transportation	2,700	36,286	-	38,986
General Government	418,324	382	-	418,706
Capital Outlay	27,161	23,567	-	50,728
Debt Service:				
Principal Retirement	19,439	27,840	-	47,279
Interest and Fiscal Charges	6,416	2,801	-	9,217
Total Cash Disbursements	<u>688,978</u>	<u>99,558</u>	<u>-</u>	<u>788,536</u>
Excess of Receipts Over/(Under) Disbursements	105,875	(6,058)	30	99,847
Other Financing Receipts (Disbursements):				
Other Sources	(250)	(80)	-	(330)
Total Other Financing Receipts(Disbursements)	<u>(250)</u>	<u>(80)</u>	<u>-</u>	<u>(330)</u>
Net Change in Fund Cash Balances	105,625	(6,138)	30	99,517
Fund Cash Balances, January 1	<u>698,155</u>	<u>87,933</u>	<u>5,321</u>	<u>791,409</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,351	5,351
Restricted	-	81,795	-	81,795
Unassigned (Deficit)	803,780	-	-	803,780
Fund Cash Balances, December 31	<u>\$ 803,780</u>	<u>\$ 81,795</u>	<u>\$ 5,351</u>	<u>\$ 890,926</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types</u>			Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:				
Charges for Services	\$ 430,227	\$ -	\$ -	\$ 430,227
Fines, Licenses, and Permits	-	-	-	-
Court Fines and Costs	-	30,011	-	30,011
Miscellaneous	170	-	-	170
	<u>430,397</u>	<u>30,011</u>	<u>-</u>	<u>460,408</u>
Total Operating Cash Receipts				
	<u>430,397</u>	<u>30,011</u>	<u>-</u>	<u>460,408</u>
Operating Cash Disbursements:				
Current:				
Personal Services	70,964	-	-	70,964
Distribution of Court Fines	-	30,011	-	30,011
Contractual Services	152,217	-	-	152,217
Supplies and Materials	36,697	-	-	36,697
Other	1,208	-	-	1,208
	<u>261,086</u>	<u>30,011</u>	<u>-</u>	<u>291,097</u>
Total Operating Cash Disbursements				
	<u>261,086</u>	<u>30,011</u>	<u>-</u>	<u>291,097</u>
Operating Income (Loss)	169,311	-	-	169,311
Non-Operating Receipts (Disbursements):				
Intergovernmental	968	-	-	968
Other Debt Proceeds	456	-	-	456
Principal Retirement	(151,707)	-	-	(151,707)
Interest and Other Fiscal Charges	(29,550)	-	-	(29,550)
	<u>(179,833)</u>	<u>-</u>	<u>-</u>	<u>(179,833)</u>
Total Non-Operating Receipts (Disbursements)				
	<u>(179,833)</u>	<u>-</u>	<u>-</u>	<u>(179,833)</u>
Income (Loss) before Transfers	(10,522)	-	-	(10,522)
Transfers In	10,000	-	-	10,000
Transfers Out	(10,000)	-	-	(10,000)
	<u>(10,522)</u>	<u>-</u>	<u>-</u>	<u>(10,522)</u>
Net Change in Fund Cash Balances				
	<u>(10,522)</u>	<u>-</u>	<u>-</u>	<u>(10,522)</u>
Fund Cash Balances, January 1	377,467	-	1,000	378,467
Fund Cash Balances, December 31	<u>\$ 366,945</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 367,945</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
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of South Charleston (the Village), Clark County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 water and sewer utilities, street maintenance and police services

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool, Public Entities Pool of Ohio (PEP). See Note 6 for additional information.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 program (for the benefit of the government or its citizenry). The Village has 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.
park and reservoir.

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

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

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

The Village's private purpose trust funds account is for the benefit of certain individuals grave sites.

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 activity of the Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,366	\$794,853	\$85,487
Special Revenue	99,800	93,500	(6,300)
Capital Projects	63,701	-	(63,701)
Permanent	-	30	30
Enterprise	467,000	441,821	(25,179)
Agency	-	30,011	30,011
Total	\$1,339,867	\$1,360,215	\$20,349

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$723,400	\$689,228	\$34,172
Special Revenue	99,965	99,638	327
Enterprise	436,100	452,343	(16,243)
Agency	-	30,011	(30,011)
Total	\$1,259,465	\$1,271,220	\$18,256

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$1,256,371
Certificates of deposit	1,000
Total deposits	1,257,371
U.S Savings Bonds	1,500
Total deposits and investments	1,258,871

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

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

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

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

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of one and one-half 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 2017 and 2016, Regional Income Tax Agency (R.I.T.A) collected income taxes for the Village.

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government’s share of these unpaid claims collectible in future years is approximately \$21,000.

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>2017 Contributions to PEP</u>
\$33,201

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2017.

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans (Continued)

Social Security

The Village's volunteer firefighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water- Water Tower Painting- Community Assistance Fund	\$16,946	2.0%
Water- New Wellfield & Water System Upgrade- Drinking Water Fund	531,221	2.0%
Sewer- WWTP Pump Station- Community Assistance Fund	23,704	2.0%
Water- Water Meter and Tank Improvement- Community Assistance Fund	28,527	2.0%
Sewer- WWTP/PS Upgrade- Community Assistance Fund	603,038	1.5%
Water- Radio-read Water Meters- Community Assistance Fund	313,363	2.0%
Water- Water System Improvement	63,069	2.8%
OPWC- North SR 41 Improvements	30,693	0.0%
OPWC - Wastewater Treatment Repair/Replacement	223,087	0.0%
OPWC- Water Treatment Plant Improvements	92,615	0.0%
John Deere Tractor	19,103	4.0%
Security National Bank- Backhoe	10,683	2.5%
Total	<u>\$1,956,049</u>	

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loans relate to two different construction projects that the OPWC approved grants and/or loans to the Village in order to complete them. The Village will repay the above listed 0% interest loans in semiannual installments over 30 years. The scheduled payment amounts below include the total obligations for both loans. Street Fund receipts are used to pay for the North SR 41 improvement loan, while the Village has agreed to set utility rates sufficient to cover debt service requirements for Wastewater Treatment Repair/Replacement project.

The Ohio Development Authority (OWDA) loans relate to various water and sewer plant projects. The OWDA approved up loans to the Village for these projects. The Village will repay the loans in semiannual installments. Including interest, until 2023. The scheduled payment amounts below include all OWDA loans for which amortization schedules are available; however, the amortization schedules related to the Radio-Read Water Meters and WWTP/UP Upgrade projects have yet to be completed. The OWDA will adjust any forthcoming scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village secured an installment loan to finance the purchase of a back hoe. The Village borrowed \$61,108 at an interest rate of 3.99%. The Village will use their Street, Construction, Maintenance and Repair fund to pay for the related principal and interest payments for this loan.

In January 2016 the Village obtained an installment loan for \$38,489 from Security National Bank in order to purchase a new police cruiser. This loan is at the stated interest rate of 2.45%. The Village will use General funds to pay for the related principal and interest payments for this loan.

The Village obtained an installment loan from John Deere Financial to finance the purchase of a tractor. The Village will use General funds to pay for the related principal and interest payments for this loan.

The Village has a principal adjustment decrease on OWDA loan WWTP/PS Upgrades in the amount of \$797. The Village has a principal adjustment decrease on OWDA loan Radio-read Water Meters in the amount of 171.

Village of South Charleston
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	OPWC Loan	ODWA Loan	Other Loans
2018	\$13,750	\$160,284	\$18,940
2019	13,750	168,240	8,042
2020	13,750	168,240	4,022
2021	13,750	168,240	-
2022	13,750	168,240	-
2023-2027	68,751	216,685	-
2028-2032	68,751	212,778	-
2033-2037	56,251	212,778	-
2038-2042	56,251	212,778	-
2043-2047	34,513	77,456	-
2048-2052	-	-	-
2053	-	-	-
Total	<u>\$353,267</u>	<u>\$1,765,719</u>	<u>\$31,004</u>

* Amortization Schedules not available and complete for all Village active loans.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 64,571	\$ -	\$ -	\$ 64,571
Municipal Income Tax	648,361	-	-	648,361
Intergovernmental	20,559	77,935	-	98,494
Charges for Services	577	9,977	-	10,554
Fines, Licenses, and Permits	51,633	1,422	-	53,055
Earnings on Investments	301	96	29	426
Miscellaneous	15,029	-	-	15,029
Total Cash Receipts	<u>801,031</u>	<u>89,430</u>	<u>29</u>	<u>890,490</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	198,187	-	-	198,187
Public Health Services	-	11,251	-	11,251
Basic Utility Services	1,500	0	-	1,500
Transportation	1,000	39,313	-	40,313
General Government	409,970	831	-	410,801
Capital Outlay	69,648	19,746	-	89,394
Debt Service:				
Principal Retirement	36,981	21,797	-	58,778
Interest and Fiscal Charges	6,026	739	-	6,765
Total Cash Disbursements	<u>723,312</u>	<u>93,677</u>	<u>-</u>	<u>816,989</u>
Excess of Receipts Over/(Under) Disbursements	77,719	(4,247)	29	73,501
Other Financing Receipts (Disbursements):				
Sale of Capital Assets	97	-	-	97
Other Debt Proceeds	40,518	-	-	40,518
Other Sources	(136)	-	-	(136)
Total Other Financing Receipts(Disbursements)	<u>40,479</u>	<u>-</u>	<u>-</u>	<u>40,479</u>
Net Change in Fund Cash Balances	118,198	(4,247)	29	113,980
Fund Cash Balances, January 1	<u>579,957</u>	<u>92,180</u>	<u>5,292</u>	<u>677,429</u>
Fund Cash Balances, December 31				
Restricted	-	87,933	-	87,933
Committed	-	-	5,321	5,321
Unassigned (Deficit)	<u>698,155</u>	<u>-</u>	<u>-</u>	<u>698,155</u>
Fund Cash Balances, December 31	<u>\$ 698,155</u>	<u>\$ 87,933</u>	<u>\$ 5,321</u>	<u>\$ 791,409</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Agency	Private Purpose Trust	
Operating Cash Receipts:				
Charges for Services	\$ 441,148	\$ -	\$ -	\$ 441,148
Court Fines and Costs	-	42,918	-	42,918
Total Operating Cash Receipts	441,148	42,918	-	484,066
Operating Cash Disbursements:				
Current:				
Personal Services	54,829	-	-	54,829
Distribution of Court Fines	-	42,918	-	42,918
Contractual Services	132,364	-	-	132,364
Supplies and Materials	34,485	-	-	34,485
Other	1,768	-	-	1,768
Total Operating Cash Disbursements	223,446	42,918	-	266,364
Operating Income (Loss)	217,702	-	-	217,702
Non-Operating Receipts (Disbursements):				
Other Debt Proceeds	209,551	-	-	209,551
Intergovernmental	100,000	-	-	100,000
Capital Outlay	(309,551)	-	-	(309,551)
Principal Retirement	(79,335)	-	-	(79,335)
Interest and Other Fiscal Charges	(16,895)	-	-	(16,895)
Total Non-Operating Receipts (Disbursements)	(96,230)	-	-	(96,230)
Income (Loss) before Transfers	121,472	-	-	121,472
Transfers In	10,000	-	-	10,000
Transfers Out	(10,000)	-	-	(10,000)
Net Change in Fund Cash Balances	121,472	-	-	121,472
Fund Cash Balances, January 1	255,995	-	1,000	256,995
Fund Cash Balances, December 31	<u>\$ 377,467</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 378,467</u>

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of South Charleston (the Village), Clark County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 water and sewer utilities, street maintenance and police services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool, Public Entities Pool of Ohio (PEP). See Note 6 for additional information.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 program (for the benefit of the government or its citizenry). The Village has 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.

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

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

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

The Village's private purpose trust funds account is for the benefit of certain individuals grave sites.

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 activity of the Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$705,755	\$841,646	\$135,891
Special Revenue	99,800	89,430	(10,370)
Permanent	-	29	29
Enterprise	467,000	760,699	293,699
Agency	-	42,918	42,918
Total	\$1,272,555	\$1,734,722	\$462,167

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$722,050	\$723,448	(\$1,398)
Special Revenue	110,015	93,677	16,338
Enterprise	445,346	639,227	(193,881)
Agency	-	42,918	(42,918)
Total	\$1,277,411	\$1,499,270	(\$178,941)

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$1,167,376
Certificates of deposit	1,000
Total deposits	1,168,376
U.S Savings Bonds	1,500
Total deposits and investments	1,169,876

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

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

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of one and one-half 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 2017 and 2016, Regional Income Tax Agency (R.I.T.A) collected income taxes for the Village.

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management (Continued)

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$20,000.

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.

2016 Contributions to PEP
\$ 32,201

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans (Continued)

Social Security

The Village's volunteer firefighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water- Water Tower Painting- Community Assistance Fund	\$20,138	2.0%
Water- New Wellfield & Water System Upgrade- Drinking Water Fund	631,268	2.0%
Sewer- WWTP Pump Station- Community Assistance Fund	27,086	2.0%
Water- Water Meter and Tank Improvement- Community Assistance Fund	33,899	2.0%
Sewer- WWTP/PS Upgrade- Community Assistance Fund	619,863	1.5%
Water- Radio-read Water Meters- Community Assistance Fund	322,502	2.0%
Water- Water System Improvement	62,613	2.8%
OPWC- North SR 41 Improvements	38,750	0.0%
OPWC - Wastewater Treatment Repair/Replacement	225,587	0.0%
OPWC- Water Treatment Plant Improvements	95,808	0.0%
John Deere Tractor	26,226	4.0%
Security National Bank- Backhoe	31,418	2.5%
Security National Bank- Police Cruiser	19,421	4.0%
Total	<u>\$2,154,579</u>	

The Ohio Public Works Commission (OPWC) loans relate to two different construction projects that the OPWC approved grants and/or loans to the Village in order to complete them. The Village will repay the above listed 0% interest loans in semiannual installments over 30 years. The scheduled payment amounts below include the total obligations for both loans. Street Fund receipts are used to pay for the North SR 41 improvement loan, while the Village has agreed to set utility rates sufficient to cover debt service requirements for Wastewater Treatment Repair/Replacement project.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

The Ohio Development Authority (OWDA) loans relate to various water and sewer plant projects. The OWDA approved up loans to the Village for these projects. The Village will repay the loans in semiannual installments. Including interest, until 2023. The scheduled payment amounts below include all OWDA loans for which amortization schedules are available; however, the amortization schedules related to the Radio-Read Water Meters and WWTP/UP Upgrade projects have yet to be completed. The OWDA will adjust any forthcoming scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village secured an installment loan to finance the purchase of a back hoe. The Village borrowed \$61,108 at an interest rate of 3.99%. The Village will use their Street, Construction, Maintenance and Repair fund to pay for the related principal and interest payments for this loan.

In January 2016 the Village obtained an installment loan for \$38,489 from Security National Bank in order to purchase a new police cruiser. This loan is at the stated interest rate of 2.45%. The Village will use General funds to pay for the related principal and interest payments for this loan.

The Village obtained an installment loan from John Deere Financial to finance the purchase of a tractor in 2015. The Village will use General funds to pay for the related principal and interest payments for this loan.

The Village paid off a loan to Security National Bank in 2016 with an unknown balance in the prior year audit. The Village was able to provide supporting documentation to show the balance at the beginning of 2016 was \$12,957.

Amortization

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

Year Ending December 31:	OPWC Loans	*OWDA Loans	Other Loans
2017	\$10,557	\$125,684	\$29,837
2018	\$13,750	\$133,340	18,940
2019	\$13,750	\$140,995	8,042
2020	\$13,750	\$140,995	4,022
2021	\$13,750	\$140,995	-
2022-2026	68,751	\$206,147	-
2027-2031	68,751	76,556	-
2032-2036	58,751	76,556	-
2037-2041	56,251	76,556	-
2042-2046	44,167	38,278	-
2047-2051	1,597	-	-
2052-2053	-	-	-
Total	<u>\$363,825</u>	<u>\$1,156,101</u>	<u>\$60,841</u>

* Amortization Schedules not available and complete for all Village active loans.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

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**INDEPENDENT AUDITOR'S 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
PO Box X
South Charleston, OH 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 cash balances, receipts and disbursements by fund type of the Village of South Charleston, Clark County, (the Village) as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2018 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. We qualified our opinion due to lack of sufficient appropriate audit evidence supporting the amounts recorded as Permanent Fund Cemetery Bequest Funds.

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 opinions 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 through 2017-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-004.

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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
September 24, 2018

VILLAGE OF SOUTH CHARLESOTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-001

Noncompliance Citation / Material Weakness

Ohio Admin. Code § 733.28 states, in part, that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments.

Ohio Admin. Code § 117-2-02 (A) states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, and report the transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirement, and prepare financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and the Commissioners and is essential to ensure the information provided to the users of the financial statements is complete and accurate.

The following errors were identified and adjusted on the financial statements:

2016

- Agency Fund distribution of court fines revenues and court fines and cost disbursements increased \$42,918 to account for Mayors Court activity
- Enterprise Fund revenues and disbursements increased by \$60,584 and Capital Project Funds revenues and disbursements decreased by \$60,584 to properly account for prior year audit adjustments which were posted incorrectly.

2017

- Agency Fund distribution of court fines revenues and court fines and cost disbursements increased \$30,011 to account for Mayors Court activity

Failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary law, and may result in material misstatements of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner. The Village should have procedures in place to help assure the accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Client Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

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 Fiscal Officer prepares checks, reconciles the bank account, records receipts, prepares deposits, and open the mail for the Village.

Proper internal control procedures require the various duties be segregated 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 Commission.

VILLAGE OF SOUTH CHARLESOTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-002
(Continued)

In a small operating, such as the Village of South Charleston, it is not always possible to have enough staff to properly segregate duties. Understanding this, the Mayor, Administrator or Commissioners should take a more active role in monitoring transactions, such as examining cancelled checks and reviewing bank reconciliations. These reviews should 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.

FINDING NUMBER 2017-003

Material Weakness

Cemetery Bequest Funds Documentation

The Village should maintain original trust agreements to help assure accountability for permanent funds and the correct classification for financial reporting. By maintaining these agreements, the Village would be able to identify whether or not there is principal that must be maintained in perpetuity and whether or not the trust is to benefit the entity or other organizations, governments, or individuals.

The Village presented Cemetery Bequest Funds as Permanent Funds without basing this decision on the original trust agreements. The Bequest Funds represent 100% of the Permanent Funds, totaling 6,351 and \$6,321 at December 31, 2017 and 2016, respectively. The Village was only able to provide documentation for a \$1,000 bequest made in 1964 by means of a US Savings Bond. Audit adjustments have been made to properly account for this bequest as a Private Purpose trust fund. However, without the original trust agreement for any other bequest it is not possible to determine whether the remaining Cemetery Bequest Funds should be presented as Permanent Funds (benefit to the Village) or Private Purpose Trust Funds (benefit to other organizations, governments, or individuals). In addition, the lack of trust agreements may ne an indication these funds can be completely spent which would result in the Funds being classified as Special Revenue Funds. As a result, it could not be determined if the financial statements were accurately stated in relation to the Cemetery Bequest Funds.

The Village should obtain copies of the documentation establishing these trust funds to identify the original principal and to determine the purpose of each Trust. The Village should consult Legal Counsel for advice along with reviewing the Ohio Revised Code if documentation cannot be located to support the existence of a trust agreement, whether expendable or nonexpendable. In addition, the Village should review accounting literature to assist in the correct classification of these funds.

FINDING NUMBER 2017-004

Material Weakness

Ohio Public Works Commission and Ohio Water Development Authority Transactions

The Village received grants and loans from the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) in 2016 and 2017 for various water and sewer projects.

The Village posted many of their debt payments to OPWC and OWDA to the incorrect fund. The following items required an adjustment or reclassification.

2016

- Principal Retirement
- Interest and Fiscal Charges
- General Government
- Capital Outlay
- Fund Balance

VILLAGE OF SOUTH CHARLESOTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-004 (Continued)

2017

- Principal Retirement
- Interest and Fiscal Charges
- General Government
- Capital Outlay
- Fund Balance
- Transportation

The fact that posting errors resulting in reclassifications 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 debt disbursements for the Village for 2017 and 2016.

The Village should implement procedures to ensure that all loans are properly approved and recorded within the accounting system. We also recommend the Village Clerk review the Ohio Village Manual for guidance on the correct line item to post for debt payments.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY
DECEMBER 31, 2017 AND 2016

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:
2015-001	Material Weakness / Noncompliance Ohio Admin. Code 733.28 Ohio Admin. Code 117-2-01(A)	No	Reissued as Finding 2017-001
2015-002	Material Weakness – Segregation of Duties	No	Reissued as Finding 2017-002
2015-003	Material Weakness – Cemetery Bequest Funds Documentation	No	Reissued as Finding 2017-003
2015-004	Material Weakness – Debt	Yes	
2015-005	Material Weakness – Ohio Public Works Commission and Ohio Water Development Authority Transactions	No	Reissued as Finding 2017-004



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
DECEMBER 11, 2018