



Dave Yost • Auditor of State

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of South Charleston
Clark County
35 South Chillicothe Street
PO 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 the Village of South Charleston, Clark County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 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 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 (GAAP), to satisfy these requirements.

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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 *Additional Opinion Qualification and Unmodified Opinion on Regulatory Basis of Accounting* paragraphs 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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Total Special Revenue Fund Debt Service Disbursements (Principal Retirement and Interest and Fiscal Charges) were \$18,372 and \$15,238 for the years ended December 31, 2015 and 2014, respectively. We were unable to obtain sufficient appropriate audit evidence supporting \$15,872 and \$13,224 of these December 31, 2015 and 2014 disbursements, respectively. The Special Revenue debt service expenditures, which are unsupported, represent 14 percent of total Special Revenue disbursements in both 2015 and 2014. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The Village reported the Cemetery Bequest Funds cash balances of \$5,292 and \$5,262 at December 31, 2015 and 2014, 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, 2015 and 2014, 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.

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, Enterprise, Private Purpose Trust, and Agency Funds of the Village of South Charleston, Clark County as of December 31, 2015 and 2014, 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.

Emphasis of Matter

As described in Note 10, the Village restated the fund balances for the Permanent and Private Purpose Trust funds as of January 1, 2014. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, 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 "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2016

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**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, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$68,829	\$7,615		\$76,444
Municipal Income Tax	573,970			573,970
Intergovernmental	22,601	73,287		95,888
Charges for Services	422	17,326		17,748
Fines, Licenses and Permits	55,326	1,528		56,854
Earnings on Investments	299	98	\$30	427
Miscellaneous	17,008	1,180		18,188
Total Cash Receipts	<u>738,455</u>	<u>101,034</u>	<u>30</u>	<u>839,519</u>
Cash Disbursements				
Current:				
Security of Persons and Property	192,329			192,329
Public Health Services		21,126		21,126
Basic Utility Services	289			289
Transportation	5,500	34,733		40,233
General Government	423,835	314		424,149
Capital Outlay	10,424	38,017		48,441
Debt Service:				
Principal Retirement	31,284	17,224		48,508
Interest and Fiscal Charges	645	1,148		1,793
Total Cash Disbursements	<u>664,306</u>	<u>112,562</u>	<u></u>	<u>776,868</u>
Excess of Receipts Over (Under) Disbursements	<u>74,149</u>	<u>(11,528)</u>	<u>30</u>	<u>62,651</u>
Other Financing Receipts (Disbursements):				
Sale of Capital Assets	6,566			6,566
Other Financing Uses	(269)			(269)
Total Other Financing Receipts (Disbursements)	<u>6,297</u>	<u></u>	<u></u>	<u>6,297</u>
Net Change in Fund Cash Balances	80,446	(11,528)	30	68,948
Fund Cash Balances, January 1	<u>499,511</u>	<u>103,708</u>	<u>5,262</u>	<u>608,481</u>
Fund Cash Balances, December 31:				
Nonspendable			5,292	5,292
Restricted		92,180		92,180
Unassigned (Deficit)	579,957			579,957
Fund Cash Balances, December 31	<u>\$579,957</u>	<u>\$92,180</u>	<u>\$5,292</u>	<u>\$677,429</u>

The accompanying notes are an integral part of the 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, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:				
Charges for Services	\$456,123			\$456,123
Court Fines and Costs		\$51,799		51,799
Total Operating Cash Receipts	<u>456,123</u>	<u>51,799</u>		<u>507,922</u>
Operating Cash Disbursements:				
Personal Services	54,209			54,209
Contractual Services	196,684			196,684
Supplies and Materials	32,631			32,631
Distribution of Court Fines		51,799		51,799
Other	2,883			2,883
Total Operating Cash Disbursements	<u>286,407</u>	<u>51,799</u>		<u>338,206</u>
Operating Income	<u>169,716</u>			<u>169,716</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	8,911			8,911
Special Assessments	2			2
Other Debt Proceeds	95,240			95,240
Capital Outlay	(66,109)			(66,109)
Principal Retirement	(138,229)			(138,229)
Interest and Other Fiscal Charges	(35,059)			(35,059)
Total Non-Operating Receipts (Disbursements)	<u>(135,244)</u>			<u>(135,244)</u>
Income (Loss) before Transfers	34,472			34,472
Transfers In	10,000			10,000
Transfers Out	(10,000)			(10,000)
Net Change in Fund Cash Balances	34,472			34,472
Fund Cash Balances, January 1	<u>221,523</u>		<u>\$1,000</u>	<u>222,523</u>
Fund Cash Balances, December 31	<u>\$255,995</u>	<u>\$0</u>	<u>\$1,000</u>	<u>\$256,995</u>

The accompanying notes are an integral part of the statement.

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$63,018	\$7,383		\$70,401
Municipal Income Tax	534,313			534,313
Intergovernmental	36,743	72,306		109,049
Charges for Services	659	11,371		12,030
Fines, Licenses and Permits	50,063	1,171		51,234
Earnings on Investments	292	96	\$32	420
Miscellaneous	14,641			14,641
Total Cash Receipts	<u>699,729</u>	<u>92,327</u>	<u>32</u>	<u>792,088</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	181,873			181,873
Public Health Services		10,891		10,891
Basic Utility Services	1,043			1,043
Transportation	1,221	43,522		44,743
General Government	437,759	275		438,034
Capital Outlay	10,962	25,834		36,796
Debt Service:				
Principal Retirement	20,149	13,912		34,061
Interest and Fiscal Charges		1,326		1,326
Total Cash Disbursements	<u>653,007</u>	<u>95,760</u>	<u>32</u>	<u>748,767</u>
Excess of Receipts Over (Under) Disbursements	<u>46,722</u>	<u>(3,433)</u>	<u>32</u>	<u>43,321</u>
Other Financing Receipts (Disbursements):				
Sale of Capital Assets	8,178			8,178
Other Financing Uses	(112)			(112)
Total Other Financing Receipts (Disbursements)	<u>8,066</u>			<u>8,066</u>
Net Change in Fund Cash Balances	54,788	(3,433)	32	51,387
Fund Cash Balances, January 1, Restated	<u>444,723</u>	<u>107,141</u>	<u>5,230</u>	<u>557,094</u>
Fund Cash Balances, December 31:				
Non-spendable			5,262	5,262
Restricted		103,708		103,708
Assigned	71,492			71,492
Unassigned	428,019			428,019
Fund Cash Balances, December 31	<u>\$499,511</u>	<u>\$103,708</u>	<u>\$5,262</u>	<u>\$608,481</u>

The accompanying notes are an integral part of the 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, 2014**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:				
Charges for Services	\$422,503			\$422,503
Court Fines and Costs		\$38,120		38,120
Miscellaneous	1,250			1,250
Total Operating Cash Receipts	<u>423,753</u>	<u>38,120</u>		<u>461,873</u>
Operating Cash Disbursements:				
Personal Services	47,997			47,997
Contractual Services	144,412			144,412
Supplies and Materials	47,668			47,668
Distribution of Court Fines		38,120		38,120
Other	2,184			2,184
Total Operating Cash Disbursements	<u>242,261</u>	<u>38,120</u>		<u>280,381</u>
Operating Income	<u>181,492</u>			<u>181,492</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	190,010			190,010
Other Debt Proceeds	759,106			759,106
Capital Outlay	(949,116)			(949,116)
Principal Retirement	(201,059)			(201,059)
Interest and Other Fiscal Charges	(36,491)			(36,491)
Total Non-Operating Receipts (Disbursements)	<u>(237,550)</u>			<u>(237,550)</u>
Income (Loss) before Transfers	(56,058)			(56,058)
Transfers In	12,000			12,000
Transfers Out	(12,000)			(12,000)
Net Change in Fund Cash Balances	(56,058)			(56,058)
Fund Cash Balances, January 1, Restated	<u>277,581</u>		<u>\$1,000</u>	<u>278,581</u>
Fund Cash Balances, December 31	<u>\$221,523</u>	<u>\$0</u>	<u>\$1,000</u>	<u>\$222,523</u>

The accompanying notes are an integral part of the statement.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 water and sewer utilities, street maintenance and police services.

The Village participates in one public entity risk pool, Public Entities Pool of Ohio (PEP). See Note 8 for additional information.

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village records certificates of deposit and U.S. Saving 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 the reports all financial resources not accounted for and reported in another fund.

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:.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Permanent Funds

These funds account for the 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 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

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends to recover the significant cost 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 cost.

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

5. 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.

The Village's private purpose trust fund is for the benefit of certain individual 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 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.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re-appropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2015 and 2014 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:

1. Non-spendable

The Village classifies assets as non-spendable 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 are 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.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$931,924	\$828,504
Certificates of deposit	1,000	1,000
Total deposits	932,924	829,504
U.S. Savings Bonds	1,500	1,500
Total deposits and investments	\$934,424	\$831,004

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 years ending December 31, 2015 and 2014 as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$712,000	\$745,021	\$33,021
Special Revenue	101,905	101,034	(871)
Permanent		30	30
Enterprise	449,500	570,276	120,776
Agency		51,799	51,799
Total	\$1,263,405	\$1,468,160	\$204,755

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$783,492	\$664,575	\$118,917
Special Revenue	172,677	112,562	60,115
Enterprise	572,565	535,804	36,761
Agency		51,799	(51,799)
Total	<u>\$1,528,734</u>	<u>\$1,364,740</u>	<u>\$163,994</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$734,849	\$707,907	(\$26,942)
Special Revenue	115,147	92,327	(22,820)
Permanent	20	32	12
Enterprise	433,200	1,384,869	951,669
Agency		38,120	38,120
Total	<u>\$1,283,216</u>	<u>\$2,223,255</u>	<u>\$940,039</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	785,719	653,119	\$132,600
Special Revenue	149,604	95,760	53,844
Enterprise	1,459,805	1,441,977	17,828
Agency		38,120	(38,120)
Total	<u>\$2,395,127</u>	<u>\$2,228,976</u>	<u>\$166,151</u>

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 the 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 distribution 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.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. LOCAL INCOME TAX (Continued)

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 2015 and 2014, Regional Income Tax Agency (R.I.T.A.) collected income taxes for the Village.

6. DEBT

Debit outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans:		
North SR 41 Improvements	\$41,250	0%
Wastewater Treatment		
Repair/Replacement	\$233,643	0%
Ohio Water Development Authority Loans:		
Water Tower Painting	\$21,710	2%
New Wellfield & Water System Upgrades	\$680,550	2%
Water Meter and Tank Improvements	\$36,546	2%
WWTP Pump Station	\$28,752	2%
Radio-read Water Meters	\$273,760	2%
WWTP/PS Upgrades	\$629,057	1.5%
Other Loans		
John Deere Backhoe	\$33,070	4.0%
Other Security National Bank Loan	\$51,328	3.9%
Other Security National Bank Loan	Unknown	Unknown
Total	<u>\$2,029,666</u>	

The Ohio Public Works Commission loans relate to two different construction projects that the OPWC approved grants and/or loans to the Village for 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 the Wastewater Treatment Repair/Replacement project.

The Ohio Water 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/PS 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 obtained various installment loans from Security National Bank. The amount and purpose were unknown/unsupported.

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	OPWC Loans	*OWDA Loans	*Other Loans
2016	\$10,557	\$125,684	\$29,838
2017	10,557	125,684	29,837
2018	10,557	125,684	18,940
2019	10,557	125,684	8,042
2020	10,557	125,684	4,022
2021-2025	52,783	194,387	
2026-2030	52,783		
2031-2035	45,283		
2036-2040	40,283		
2041-2045	30,976		
Total	<u>\$274,893</u>	<u>\$822,807</u>	<u>\$90,679</u>

*Amortization schedules not complete and available for all of the Villages active loans.

7. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). The 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 January 1, 2014 through June 30, 2014, July 1, 2014 through June 30, 2015, and July 1, 2015 through December 31, 2015, OP&F participants contributed 10.75%, 11.5%, and 12.25%, respectively, of their gross wages and OPERS members contributed 10% of their gross salaries during 2014 and 2015. The Village contributed to the OP&F 19.5% of the full time police member's wages and 14% of the OPERS participants' gross salaries in both 2014 and 2015. The Village has paid all contributions required through December 31, 2015.

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.

A. Risk Pool Membership

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

B. Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement PEP retains insured risk up to an amount specified in the contracts. At December 31, 2015 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.

C. 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, 2014 and 2015:

	2014	2015
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	\$23,038,920	\$25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, 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.

Contributions to PEP	
2015	2014
\$31,499	\$31,455

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 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

10. RESTATEMENT OF FUND BALANCES

A fund reclassification was required in order to report part of the Village's Cemetery Bequest fund in accordance with GASB Statement No. 54 from Permanent Fund to Private Purpose Trust Fund. The restatement had the following effect on fund balances as previously reported at December 31, 2013:

	Permanent Fund	Private Purpose Trust Fund
Fund Balances, December 31, 2013	\$6,230	
Permanent Fund	(1,000)	
Private Purpose Trust Fund		\$1,000
Restated Fund Balances, January 1, 2014	\$5,230	\$1,000

11. SUBSEQUENT EVENTS

The Village obtained a loan from Security National Bank on January 25, 2016, in the amount of \$38,489. The loan will mature in December 2017 after four payments of \$9,896.

The Village obtained an Ohio Water Development Authority loan in 2016 for Water System Improvements. The final details of the loan will not be available until the project is complete. As of November 1, 2016, the amount financed was \$105,901 and the total loan balance was \$43,721.

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Dave Yost • Auditor of State

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, Ohio 45368

To the Village Commission:

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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2016, 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 also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as debt service disbursements in the Special Revenue Funds and amounts recorded as Permanent Fund Cemetery Bequest Funds. We also noted the Village restated the fund balances for the Permanent and Private Purpose Trust funds as of January 1, 2014, as described in Note 10.

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 2015-001 through 2015-005 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Village's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2016

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance Citation and Material Weakness

Financial Reporting

Ohio Rev. 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 requirements, and prepare financial statements.

Additionally, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. In addition, GASB 54 paragraph 16 states that when an appropriation measure is adopted for the subsequent year, if a portion of existing General Fund fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned.

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:

2014

- General Fund unassigned fund balance decreased and assigned fund balance increased by \$71,492 to properly reflect subsequent appropriations over estimated receipts
- Special Revenue Fund intergovernmental revenue decreased and taxes increased by \$7,383 to properly show Village-levied permissive motor vehicle tax
- Agency Fund distribution of court fines revenues and court fines and costs disbursements increased by \$38,120 to account for Mayor's Court activity

2015

- Special Revenue Fund intergovernmental revenue decreased and taxes increased by \$7,615 to properly show Village-levied permissive motor vehicle tax
- Agency Fund distribution of court fines revenues and court fines and costs disbursements increased by \$51,799 to account for Mayor's Court activity

The following errors were identified and were not material or adjusted on the financial statements:

2014

- General Fund homestead/rollback revenues of \$4,306 were posted as taxes rather than intergovernmental revenue
- Enterprise Fund miscellaneous revenues of \$6,609 were incorrectly posted as charges for services
- Special Revenue Street fund debt payments of \$764 should have been paid from the General Fund

FINDING NUMBER 2015-001
(Continued)

- Special Revenue Street and Permissive Motor Vehicle fund debt payments of \$625 in each fund were posted to capital outlay and transportation disbursements, respectively, rather than principal payments

2015

- General Fund homestead/rollback revenues of \$8,344 were posted as taxes rather than intergovernmental revenue
- General Fund subsequent appropriations over estimated receipts of \$16,295 was not included in assigned fund balance
- General Fund income taxes was understated by \$8,626 due to posting income taxes at net (without corresponding expenditure) and including part of receipts in property taxes
- Enterprise Fund principal payments were understated by \$2,642 due to posting \$4,028 as contractual services and not posting \$1,386 to interest and fiscal charges

The 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 misstatement 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.

FINDING NUMBER 2015-002

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 opens 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.

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, 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 2015-003

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 represented 100% of the Permanent Funds, totaling \$6,292 and \$6,262 at December 31, 2015 and 2014, 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 agreements for any other bequests 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 be 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 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 2015-004

Material Weakness

Debt

The Village made loan payments in 2014 and 2015 without adequate documentation to support the approval, amounts, and/or purpose of the loans. Lack of documentation prohibits assurance on the allowability and/or posting of the activity on the financial statements.

The Village posted the following principal and interest payments without adequate documentation.

- 2014 General Fund \$6,612
- 2014 Special Revenue Street Fund \$13,224
- 2015 Special Revenue Street Fund \$15,872

Total debt service expenditures for the Special Revenue funds in 2015 and 2014 were \$18,372 and \$15,238, respectively. The Special Revenue Street Fund payments were material to the Special Revenue Fund disbursements and without proper documentation, we were unable to determine if the payments were approved, allowable, posted correctly, and/or used for a proper purpose.

The Village should implement procedures to verify that all loans are properly approved and all documentation including approval, purpose, amortization schedules, and/or allowable uses is maintained. Failure to do so could result in unauthorized expenditures and/or additional debt liabilities for the Village.

FINDING NUMBER 2015-005

Material Weakness

Ohio Public Works Commission and Ohio Water Development Authority Transactions

The Village received grants and loans through the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) in 2014 and 2015 for various water and sewer projects. As these utilities are impacted and the charges for services will be used to repay the loans, the Village should have an Enterprise Improvement Fund to account for the activity.

The Village posted the following transactions to a governmental Capital Projects fund in 2014 and 2015, which were adjusted and removed from the financial statements:

2014

- Miscellaneous revenues of \$243,706
- Capital outlay expenditures of \$219,141
- Interest and fiscal charges expenditures of \$399,974
- Special assessment revenues of \$375,409

2015

- Miscellaneous revenues of \$12,891
- Capital outlay expenditures of \$14,825
- Interest and fiscal charges expenditures of \$25,025
- Special assessment revenues of \$33,376

The following audit adjustments were posted to the financial statements and Village accounting records to correctly show all activity in the Enterprise funds:

2014

- Intergovernmental revenues increased by \$190,010
- Other Debt Proceeds increased by \$759,106
- Capital outlay expenditures increased by \$949,116

2015

- Other Debt Proceeds increased by \$95,240
- Capital Outlay expenditures increased by \$66,109
- Intergovernmental revenue increased by \$8,911
- Transfers In decreased by \$31,625

The Village should implement procedures and policies to verify that all activity is posted correctly to the financial statements. Additionally, the Village should utilize an Enterprise Improvement fund for the water and sewer projects through OPWC and OWDA and ensure all on-behalf transactions are presented.

Overall Officials' Response:

The new Fiscal Officer is working to correct each issue presented in the report.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material Weakness – Segregation of Duties	Not Corrected	Repeated as Finding 2015-002
2013-002	Material Weakness – Financial Reporting	Not Corrected	Repeated as Finding 2015-001

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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 20, 2016