



**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of South Charleston, Clark County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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Jim Petro
Auditor of State

June 7, 2000

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**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$392,515	\$24,383	\$416,898
Intergovernmental Receipts	58,317	109,423	167,740
Charges for Services	380	23,524	23,904
Fines, Licenses, and Permits	38,997		38,997
Earnings on Investments	5,676	2,667	8,343
Miscellaneous	10,359	589	10,948
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Total Cash Receipts	506,244	160,586	666,830
Cash Disbursements:			
Current:			
Security of Persons and Property	162,990		162,990
Public Health Services		36,289	36,289
Transportation		25,556	25,556
General Government	439,045	1,733	440,778
Capital Outlay		88,467	88,467
	<hr/>	<hr/>	<hr/>
Total Disbursements	602,035	152,045	754,080
Total Receipts Over/(Under) Disbursements	(95,791)	8,541	(87,250)
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Fixed Assets	18,311		18,311
Transfers-In		40,000	40,000
Transfers-Out	(40,608)		(40,608)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(22,297)	40,000	17,703
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(118,088)	48,541	(69,547)
Fund Cash Balances January 1	257,277	54,785	312,062
Fund Cash Balances, December 31	<u>\$139,189</u>	<u>\$103,326</u>	<u>\$242,515</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$368,313	\$0	\$0	\$368,313
Interest		\$2,314		2,314
Court Fines			25,889	25,889
Total Operating Cash Receipts	368,313	2,314	25,889	396,516
Operating Cash Disbursements:				
Personal Services	41,146	780		41,926
Fringe Benefits	13,923			13,923
Contractual Services	140,555			140,555
Supplies and Materials	41,615			41,615
Distributions to other governments			25,889	25,889
Miscellaneous	2,260			2,260
Total Operating Cash Disbursements	239,499	780	25,889	266,168
Operating Income/(Loss)	128,814	1,534	0	130,348
Non-Operating Cash Receipts:				
Proceeds from Loans	10,000			10,000
Total Non-Operating Cash Receipts	10,000	0	0	10,000
Non-Operating Cash Disbursements:				
Debt Service	111,474			111,474
Total Non-Operating Cash Disbursements	111,474	0	0	111,474
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	27,340	1,534	0	28,874
Transfers-In	608			608
Net Receipts Over/(Under) Disbursements	27,948	1,534	0	29,482
Fund Cash Balances, January 1	88,214	29,128		117,342
Fund Cash Balances, December 31	\$116,162	\$30,662	\$0	\$146,824
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$362,085	\$20,259	\$382,344
Intergovernmental Receipts	54,071	57,283	111,354
Charges for Services	350	12,663	13,013
Fines, Licenses, and Permits	35,438	125	35,563
Earnings on Investments	3,715	1,957	5,672
Donations	5,000		5,000
Miscellaneous	25,281		25,281
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	485,940	92,287	578,227
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	125,018		125,018
Public Health Services		33,427	33,427
Transportation	1,574	27,323	28,897
General Government	213,233	615	213,848
Capital Outlay		42,182	42,182
	<hr/>	<hr/>	<hr/>
Total Disbursements	339,825	103,547	443,372
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	146,115	(11,260)	134,855
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Transfers-In		31,000	31,000
Transfers-Out	(31,000)		(31,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(31,000)	31,000	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	115,115	19,740	134,855
	<hr/>	<hr/>	<hr/>
Fund Cash Balances January 1	142,162	35,045	177,207
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$257,277</u>	<u>\$54,785</u>	<u>\$312,062</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$1,000</u>	<u>\$500</u>	<u>\$0</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$355,480	\$0	\$0	\$355,480
Interest	\$1,797	\$1,871		3,668
Court Fines			32,803	32,803
Total Operating Cash Receipts	357,277	1,871	32,803	391,951
Operating Cash Disbursements:				
Personal Services	50,463	568		51,031
Fringe Benefits	15,894			15,894
Contractual Services	104,069			104,069
Supplies and Materials	55,852			55,852
Distributions to other governments			32,803	32,803
Miscellaneous	5,660			5,660
Total Operating Cash Disbursements	231,938	568	32,803	265,309
Operating Income/(Loss)	125,339	1,303	0	126,642
Non-Operating Cash Disbursements:				
Debt Service	111,608			111,608
Total Non-Operating Cash Disbursements	111,608	0	0	111,608
Net Receipts Over/(Under) Disbursements	13,731	1,303	0	15,034
Fund Cash Balances, January 1	74,483	27,825		102,308
Fund Cash Balances, December 31	\$88,214	\$29,128	\$0	\$117,342
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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 general governmental services, including water and sewer utilities, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit, and U.S. Savings Bonds are valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Health Fund - This fund receives tax proceeds which are distributed to the County Health Department.

3. Enterprise Funds

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

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

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village does not have any expendable trust funds. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund (Agency Fund) - This fund receives court fines assessed by the Village Magistrate. These funds are distributed to the appropriate government on a monthly basis.

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 Commission must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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 also approve estimated resources.

3. Encumbrances

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

The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 327,940	\$ 369,011
Certificates of deposit	59,899	58,893
Total deposits	387,839	427,904
U.S. Savings Bonds	1,500	1,500
Total investments	1,500	1,500
Total deposits and investments	\$ 389,339	\$ 429,404

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Savings Bonds are maintained by the Village in the amounts of \$1,000 and \$500.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 506,832	\$ 524,555	\$ 17,723
Special Revenue	114,466	200,586	86,120
Enterprise	424,301	378,921	(45,380)
Non Expendable Trust	593	2,314	1,721
Total	\$ 1,046,192	\$ 1,106,376	\$ 60,184

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 667,434	\$ 642,643	\$ 24,791
Special Revenue	169,119	152,045	17,074
Enterprise	473,891	350,973	122,918
Non Expendable Trust	780	780	0
Total	\$ 1,311,224	\$ 1,146,441	\$ 164,783

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 626,379	\$ 485,940	\$ (140,439)
Special Revenue	158,565	123,287	(35,278)
Enterprise	383,179	357,277	(25,902)
Non Expendable Trust	660	1,871	1,211
Total	\$ 1,168,783	\$ 968,375	\$ (200,408)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 798,184	\$ 371,825	\$ 426,359
Special Revenue	191,306	104,047	87,259
Enterprise	457,476	343,546	113,930
Non Expendable Trust	613	568	45
Total	\$ 1,447,579	\$ 819,986	\$ 627,593

The Village Commission did not approve subsequent amendments which were posted to the Village's accounting system. Approval of subsequent amendments is required by Ohio law.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Budgetary expenditures (that is cash expenditures plus encumbrances) exceeded appropriations at the legal level of control, contrary to Ohio law.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 726,990	7.59%
Ohio Water Development Authority Loans	35,000	0.00%
Security National Bank Note	<u>98,063</u>	4.45%
Total	<u>\$ 860,053</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion/improvement projects. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Security National Bank Note related to construction of a water tower and related expenditures. The Village has agreed to make an annual principal reduction of \$16,333 each April. Annually, the Village has amended the note for the remaining balance. The amounts shown on the following amortization schedule assumed full payment upon the current maturity of April, 2000.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loans	Security National Bank Loan
2000	\$ 105,320	\$ 100,190
2001	85,320	0
2002	85,320	0
2003	85,320	0
2004	85,320	0
Subsequent	830,695	0
Total	\$ 1,277,295	\$ 100,190

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

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

- Comprehensive property
- General liability
- Public official's liability
- Errors and omissions
- Vehicle

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

9. SUBSEQUENT EVENTS

In December, 1999, the Village Commission authorized a financing agreement with Ohio Water Development Authority (OWDA) for a project after year-end . This project relates to engineering and planning for water system design. The agreement specifies that the eligible project costs may not exceed \$370,000.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of South Charleston, Clark County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30312-001 and 1999-30312-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-30312-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 7, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 7, 2000

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

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

FINDING NUMBER 1999-30312-001

Noncompliance Citation - Finding for Recovery

The Village adopted Employee Handbook, in effect for 1997 and 1998, did not provide for Columbus Day as a legal holiday. Various Village employees were improperly paid double time wages for hours worked on October 12, 1998 and October 13, 1997, which was Columbus Day for those years. The total overpayments amounted to \$445.51 and included the following employees and amounts:

Doug Peterson	\$134.41
Bryan White	\$ 62.40
Troy Fischer	\$ 66.16
John Wells	\$ 66.16
John Montgomery	\$116.38

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended are hereby issued against Doug Peterson, Bryan White, Troy Fischer, John Wells, and John Montgomery, and the Western Surety Company, their bonding company, jointly and severally, in the amounts listed above, in favor of the General Fund.

FINDING NUMBER 1999-30312-002

Noncompliance Citation - Proper Encumbrance

Ohio Rev. Code Section 5705.41(D), and Section 29 of the Village Charter, states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Additionally, this section of the Ohio Rev. Code also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is presented for payment, the taxing authority may authorize the payment provided there are appropriated sufficient sums for the purpose of such contracts and is in the treasury or process of collection to the credit of an appropriate fund free from a previous encumbrance provided such action is taken within thirty days of the contract date, and the amount involved is less than \$1,000.

Twenty of the sixty transactions tested were not encumbered prior to the expenditure of village funds. The Village should implement procedures to obtain proper certification of the availability of funds to provide that all obligations are timely and properly certified, and records are maintained of remaining available appropriations.

FINDING NUMBER 1999-30312-003

Reportable Condition - Receipting Process

Pre-numbered, individual receipts were prepared for most revenue received and the receipts were combined into consolidated receipts, by category, and posted to the revenue journal. However, the Village did not perform a reconciliation or agreement of the individual receipt book to the consolidated receipt book. Additionally, the Village could not provide documentation of deposit or posting to its ledgers for three of the thirty income tax items tested which resulted in variances between the amounts deposited and the amount receipted. The Village also accepted third party checks for payment of utility obligations which could allow for loss of Village funds if the third party checks did not clear the bank.

The Village should reconcile the individual receipt book to the consolidated receipts to determine that all revenue is posted properly. The Village should prepare receipts as money is received and discontinue the practice of accepting third party checks for payment of obligations.



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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
AUGUST 22, 2000**