



# Balestra, Harr & Scherer, CPAs, Inc.

---

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

[www.bhscpas.com](http://www.bhscpas.com)

VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010  
Fiscal Years Audited Under GAGAS: 2011 and 2010





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of South Charleston, Clark County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost  
Auditor of State

June 5, 2012

**This page intentionally left blank.**

Village of South Charleston  
Clark County  
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2011 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2011 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2010 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2010 .....	6
Notes to the Financial Statements .....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings and Responses.....	19
Schedule of Prior Audit Findings.....	21



**Independent Auditor's Report**

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

To the Village Commission:

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, 2011 and 2010. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.


Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of South Charleston, Clark County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2012 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.  
April 23, 2012

**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, 2011**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property Taxes	\$ 69,615	\$ -	\$ -	\$ -	\$ 69,615
Municipal Income Tax	414,303	-	-	-	414,303
Intergovernmental	53,412	80,780	423,308	-	557,500
Charges for Services	76	17,452	-	-	17,528
Fines, Licenses, and Permits	53,209	1,385	-	-	54,594
Earnings on Investments	426	240	-	36	702
Miscellaneous	10,979	-	-	-	10,979
<b>Total Cash Receipts</b>	<u>602,020</u>	<u>99,857</u>	<u>423,308</u>	<u>36</u>	<u>1,125,221</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	176,767	510	-	-	177,277
Public Health Services	-	19,996	-	-	19,996
Transportation	2,345	27,943	-	-	30,288
General Government	348,940	250	-	-	349,190
Capital Outlay	18,370	31,617	423,308	-	473,295
Debt Service:					
Redemption of Principal	-	9,651	-	-	9,651
Interest and Fiscal Charges	-	3,685	-	-	3,685
<b>Total Cash Disbursements</b>	<u>546,422</u>	<u>93,652</u>	<u>423,308</u>	<u>-</u>	<u>1,063,382</u>
Total Cash Receipts Over/(Under) Cash Disbursements	55,598	6,205	-	36	61,839
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	4,528	-	-	-	4,528
<b>Total Other Financing Receipts (Disbursements)</b>	<u>4,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,528</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	60,126	6,205	-	36	66,367
Fund Cash Balances, January 1	<u>197,853</u>	<u>74,312</u>	<u>-</u>	<u>6,112</u>	<u>278,277</u>
Non-spendable	-	-	-	2,500	2,500
Restricted	-	80,276	-	3,648	83,924
Assigned	1,171	241	-	-	1,412
Unassigned	256,808	-	-	-	256,808
<b>Fund Cash Balances, December 31</b>	<u>\$ 257,979</u>	<u>\$ 80,517</u>	<u>\$ -</u>	<u>\$ 6,148</u>	<u>\$ 344,644</u>

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



**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 427,833	\$ -	\$ 427,833
Court Fines and Costs	-	42,595	42,595
	<u>427,833</u>	<u>42,595</u>	<u>470,428</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	34,466	-	34,466
Contractual Services	139,509	-	139,509
Supplies and Materials	24,402	-	24,402
Other	2,242	-	2,242
Distribution of Court Fines	-	42,595	42,595
	<u>200,619</u>	<u>42,595</u>	<u>243,214</u>
Total Operating Cash Disbursements			
	<u>200,619</u>	<u>42,595</u>	<u>243,214</u>
Operating Income/(Loss)	227,214	-	227,214
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	8,513	-	8,513
Redemption of Principal	159,190	-	159,190
Interest and Other Fiscal Charges	44,063	-	44,063
	<u>211,766</u>	<u>-</u>	<u>211,766</u>
Total Non-Operating Cash Disbursements			
	<u>211,766</u>	<u>-</u>	<u>211,766</u>
Net Receipts Over/(Under) Disbursements	15,448	-	15,448
Fund Cash Balances, January 1	<u>259,629</u>	<u>-</u>	<u>259,629</u>
Fund Cash Balances, December 31	<u>\$ 275,077</u>	<u>\$ -</u>	<u>\$ 275,077</u>

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property Taxes	\$ 63,661	\$ -	\$ -	\$ 63,661
Municipal Income Tax	384,014	-	-	384,014
Intergovernmental	71,561	82,756	-	154,317
Special Assessments	31,144	-	-	31,144
Charges for Services	140	15,533	-	15,673
Fines, Licenses, and Permits	60,005	1,546	-	61,551
Earnings on Investments	429	251	72	752
Miscellaneous	17,152	-	-	17,152
	<u>628,106</u>	<u>100,086</u>	<u>72</u>	<u>728,264</u>
<b>Total Cash Receipts</b>				
	<u>628,106</u>	<u>100,086</u>	<u>72</u>	<u>728,264</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	174,947	165	-	175,112
Public Health Services	-	14,648	-	14,648
Transportation	31,144	38,623	-	69,767
General Government	383,695	366	-	384,061
Capital Outlay	3,517	66,221	-	69,738
	<u>593,303</u>	<u>120,023</u>	<u>-</u>	<u>713,326</u>
<b>Total Cash Disbursements</b>				
	<u>593,303</u>	<u>120,023</u>	<u>-</u>	<u>713,326</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	34,803	(19,937)	72	14,938
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes	-	31,444	-	31,444
Other Financing Uses	(85)	(1,335)	-	(1,420)
	<u>(85)</u>	<u>30,109</u>	<u>-</u>	<u>30,024</u>
<b>Total Other Financing Receipts (Disbursements)</b>				
	<u>(85)</u>	<u>30,109</u>	<u>-</u>	<u>30,024</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	34,718	10,172	72	44,962
<b>Fund Cash Balances, January 1</b>	<u>163,135</u>	<u>64,140</u>	<u>6,040</u>	<u>233,315</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 197,853</u>	<u>\$ 74,312</u>	<u>\$ 6,112</u>	<u>\$ 278,277</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</u>

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 426,416	\$ -	\$ 426,416
Court Fines and Costs	-	45,257	45,257
	<u>426,416</u>	<u>45,257</u>	<u>471,673</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	44,866	-	44,866
Contractual Services	146,405	-	146,405
Supplies and Materials	32,431	-	32,431
Other	2,274	-	2,274
Distribution of Court Fines	-	45,257	45,257
	<u>225,976</u>	<u>45,257</u>	<u>271,233</u>
Total Operating Cash Disbursements			
	<u>225,976</u>	<u>45,257</u>	<u>271,233</u>
Operating Income/(Loss)	200,440	-	200,440
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	12,624	-	12,624
Redemption of Principal	151,132	-	151,132
Interest and Other Fiscal Charges	49,376	-	49,376
	<u>213,132</u>	<u>-</u>	<u>213,132</u>
Total Non-Operating Cash Disbursements			
	<u>213,132</u>	<u>-</u>	<u>213,132</u>
Net Receipts Over/(Under) Disbursements	(12,692)	-	(12,692)
Fund Cash Balances, January 1	<u>272,321</u>	<u>-</u>	<u>272,321</u>
Fund Cash Balances, December 31	<u>\$ 259,629</u>	<u>\$ -</u>	<u>\$ 259,629</u>

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Village of South Charleston, Clark County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pursuant to the provisions of Article XVIII of the Constitution of Ohio, the voters of the Village adopted a charter for the government of the Village on October 16, 1917. The Village is directed by a publicly-elected three-member Commission. The Village provides governmental services, including water and sewer utilities, and police services.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**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 Fund:

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

**3. Capital Projects Fund**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

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

**4. Permanent Fund**

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 permanent fund. The Village had the following significant permanent fund:

**Cemetery Bequest Fund** – This fund receives financial resources donated for care and maintenance within the Cemetery.

**5. 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.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Fund - Agency Fund**

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 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.

**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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. 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  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

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.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Cash**

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

	2011	2010
Demand Deposits	\$617,221	\$535,406
Certificates of Deposit	<u>1,000</u>	<u>1,000</u>
Total Deposits	618,221	536,406
U. S. Savings Bonds	<u>1,500</u>	<u>1,500</u>
Total deposits and investments	<u>\$619,721</u>	<u>\$537,906</u>

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

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2011 and 2010 as follows:

2011 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 565,261	\$ 606,548	\$ 41,287
Special Revenue	113,787	99,857	(13,930)
Capital Projects	423,308	423,308	-
Permanent	25	36	11
Enterprise	461,056	427,833	(33,223)
Total	<u>\$ 1,563,437</u>	<u>\$ 1,557,582</u>	<u>\$ (5,855)</u>
2010 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 763,075	\$ 547,593	\$ 215,482
Special Revenue	188,100	93,893	94,207
Capital Projects	423,308	423,308	-
Permanent	3,612	-	3,612
Enterprise	720,686	412,385	308,301
Total	<u>\$ 2,098,781</u>	<u>\$ 1,477,179</u>	<u>\$ 621,602</u>



**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 566,137	\$ 628,106	\$ 61,969
Special Revenue	159,785	131,530	(28,255)
Permanent	-	72	72
Enterprise	579,860	426,416	(153,444)
<b>Total</b>	<b>\$ 1,305,782</b>	<b>\$ 1,186,124</b>	<b>\$ (119,658)</b>
2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 749,240	\$ 593,423	\$ 155,817
Special Revenue	195,391	121,358	74,033
Permanent	3,540	-	3,540
Enterprise	701,342	439,108	262,234
<b>Total</b>	<b>\$ 1,649,513</b>	<b>\$ 1,153,889</b>	<b>\$ 495,624</b>

Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village had appropriations in excess of actual resources in the Street Construction, Maintenance and Repair; State Highway Improvement; Cemetery; Permissive Motor Vehicle License; Water; and Sewer funds in 2011 and the State Highway Improvement, Cemetery, and Water funds in 2010. Also, contrary to Ohio Revised Code Section 5705.39, the Village had appropriations in excess of estimated resources in the General and Water funds in 2010.

**4. Property Tax**

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

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

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.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. During 2010 and 2011, Regional Income Tax Agency (R.I.T.A.) collected income taxes for the Village.

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #1896/0979	\$ 215,023	7.59%
Ohio Water Development Authority Loan #3450/0279	33,740	2.00%
Ohio Water Development Authority Loan #3454/143DW	1,057,639	2.00%
Ohio Water Development Authority Loan #3941	41,499	2.00%
Ohio Water Development Authority Loan #3573/CA	54,189	2.00%
Security National Bank Loan	21,793	3.30%
	\$ 1,423,883	

The Ohio Water Development Authority (OWDA) loan #1896/0979 relates to a sewer plant expansion project; loan #3450/0279 relates to a water tower painting project; loan #3454/143DW relates to a new well field and water system upgrade project; loan #3941 relates to a new waste water treatment plant pump station; and loan #3573/CA relates to water meter and tank improvements. 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 Loan relates to the upgrade of the intersection of SR 41 and SR 42 within the Village. The full faith and credit of the Village has been collateralized to pay this note.

Amortization of the above debt, including interest of \$171,027, is scheduled as follows:

	OWDA Notes	Bank Loan	Total
Year Ending December 31:			
2012	\$ 207,798	\$ 10,605	\$ 218,403
2013	208,409	10,619	219,028
2014	208,437	1,537	209,974
2015	125,642	-	125,642
2016	125,665	-	125,665
2017 - 2021	628,640	-	628,640
2022 - 2023	67,558	-	67,558
Total	\$ 1,572,149	\$ 22,761	\$ 1,594,910

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their gross wages and OPERS members contributed 10% of their gross salaries. The Village contributed to OP&F an amount equaling 19.5% of full time police members' wages and 14% of OPERS participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**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.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (Continued)**

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$25,000.

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$24,408	\$27,060

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. Compliance**

Contrary to the Ohio Revised Code section 5705.36(A)(4) the Village had appropriations in excess of actual resources.

Contrary to the Ohio Revised Code section 5705.39, the Village had appropriations in excess of estimated resources.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**10. Change in Accounting Principle and Fund Balances**

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the fund types are presented below for December 31, 2011:

Fund Balances	General Fund	Special Revenue Funds	Permanent Fund	Total Governmental Funds
<b>Nonspendable</b>				
Trust Corpus	\$ -	\$ -	\$ 2,500	\$ 2,500
<b>Restricted for</b>				
Road and Bridge Maintenance	-	67,396	-	67,396
Cemetery Operations	-	4,033	3,648	7,681
Other Purposes	-	8,847	-	8,847
Total Restricted	<u>-</u>	<u>\$80,276</u>	<u>\$3,648</u>	<u>83,924</u>
<b>Assigned to</b>				
Encumbrances	<u>1,171</u>	<u>241</u>	<u>-</u>	<u>1,412</u>
<b>Unassigned (Deficit)</b>				
	<u>256,808</u>	<u>-</u>	<u>-</u>	<u>256,808</u>
Total Fund Balances	<u>\$ 257,979</u>	<u>\$ 80,517</u>	<u>\$ 6,148</u>	<u>\$ 344,644</u>



## Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhscpas.com](http://www.bhscpas.com)

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

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

We have audited the financial statements of the Village of South Charleston, Clark County, (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 23, 2012 wherein we noted that the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and that the Village implemented Governmental Accounting Standards Board Statement No. 54 during 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying Schedule of Findings and Responses 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, providing an opinion 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 and Responses as items 2011-003 through 2011-004.

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

We intend this report solely for the information and use of management, the Village Commission, and others within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
April 23, 2012

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

**FINDING NUMBER 2011-001**

**Material Weakness**

Adequate segregation of duties are important to adequately protect the assets of the Village and ensure accurate financial reporting. During the years audited, the Village Clerk performed virtually all financial functions and duties with little or no monitoring by other individuals. Without proper segregation of duties or appropriate monitoring procedures in place, the risk increases that errors or fraud could occur and not be detected within a timely basis.

While it is recognized there will be some inherent limitations in the ability of the Village to adequately segregate all duties due to limited number of staff and budgetary constraints, the Village should institute appropriate monitoring controls within each accounting function which would provide assurance that information is being properly collected, recorded, and reported. Such controls could include reviewing actual receipts compared with anticipated receipts, reviewing or performing monthly reconciliation procedures, reviewing and approving disbursements made during the period, and reviewing utility billing reports, including billing reports, receipt reports, and outstanding accounts reports. Such procedures add an additional level of assurance that the financial activity of the Village is being processed in an accurate and complete manner.

**Client Response:**

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

**FINDING NUMBER 2011-002**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- In 2011, reclassifications to taxes and intergovernmental revenue had to be made to correctly state the financial statements.
- In 2010 and 2011, reclassification of receipts and disbursements were required to properly record debt.
- In 2011, adjustment of the Capital Projects Fund onto the Village books to correctly state the financial statements.
- In 2010, adjustment of the Trust from the General Fund to the Permanent Fund as requested in the prior audit.

The fact that posting errors resulting in reclassification and adjusting entries occurred indicates a deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Village for 2011 and 2010.

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

**Client Response:**

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



**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

**FINDING NUMBER 2011-003**

**Material Non-Compliance**

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus actual receipts), 2011 appropriations were in excess of available resources in the Street Construction, Maintenance and Repair Fund by \$7,071, the State Highway Improvement Fund by \$1,472, the Cemetery Fund by \$2,794, the Permissive Motor Vehicle License Fund by \$2,870, the Water Fund by \$11,525, and the Sewer Fund by \$20,728; 2010 appropriations were in excess of available resources in the State Highway Improvement Fund by \$2,584, the Cemetery Fund by \$777, and the Water Fund by \$2,048.

The Village should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

**Client Response:**

The Village will monitor cash receipts during the year and make any necessary adjustments to the estimated resources and appropriations based on the actual resources.

**FINDING NUMBER 2011-004**

**Material Non-Compliance**

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund shall not exceed the total estimated revenue.

Upon comparison of appropriations to estimated resources (defined as unencumbered beginning balance plus estimated receipts), the auditor noted 2010 appropriations were in excess of estimated resources in the General Fund by \$19,968 and in the Water Fund by \$103,138.

The Village should implement monitoring procedures to ensure compliance with 5705.39. Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

**Client Response:**

The Village Clerk is in the process of addressing this issue.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY  
DECEMBER 31, 2011 AND 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2009-001	Material Weakness Segregation of Duties	No	Reissued as 2011-001
2009-002	Material Weakness Budgetary information not approved by the Village Commission	Yes	
2009-003	Material Weakness Negative Encumbrances as a result of audit adjustments	Yes	
2009-004	Material Weakness Authorized Pay Rates	Yes	
2009-005	Material Non-Compliance ORC Section 5705.41(D)	Yes	
2009-006	Material Non-Compliance ORC Section 5705.36	No	Reissued as 2011-003
2009-007	Material Non-Compliance ORC Section 5705.38(C)	Yes	
2009-008	Material Non-Compliance ORC Section 5705.41(B)	Yes	



# Dave Yost • Auditor of State

VILLAGE OF SOUTH CHARLESTON

CLARK COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 19, 2012