



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018
Fiscal Years Audited Under GAGAS: 2019 and 2018

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Commission
Village of South Charleston
35 South Chillicothe Street
P. O. Box X
South Charleston, Ohio 45368-0824

We have reviewed the *Independent Auditor's Report* of the Village of South Charleston, Clark County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Keith Faber
Auditor of State
Columbus, Ohio

October 1, 2020

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CLARK COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the Village Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Charleston, Clark County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Qualified Opinion

The Village reported the Permanent Fund cash balances of \$5,539 and \$5,388 at December 31, 2019 and 2018, 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.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements as it related to the Permanent Funds referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of the Village of South Charleston, Clark County as of December 31, 2019 and 2018 for the years ended in accordance with the financial reporting provision Ohio Revised Code Section 117-2-03(D) permit, described in Note 2.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements as it relates to the General, Special Revenue, Enterprise, Private Purpose Trust and Agency Funds referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of the Village of South Charleston, Clark County, Ohio as of December 31, 2019 and 2018 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. 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 June 19, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

BHM CPA Group, Inc.
Piketon, Ohio
June 19, 2020

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**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 70,577	\$ -	\$ -	\$ 70,577
Municipal Income Tax	656,460	122,467	-	778,927
Intergovernmental	24,094	93,582	-	117,676
Charges for Services	816	17,945	-	18,761
Fines, Licenses, and Permits	43,479	1,044	-	44,523
Earnings on Investments	1,457	453	151	2,061
Miscellaneous	30,840	3	-	30,843
Total Cash Receipts	<u>827,723</u>	<u>235,494</u>	<u>151</u>	<u>1,063,368</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	226,962	-	-	226,962
Public Health Services	-	11,089	-	11,089
Basic Utility Services	1,489	-	-	1,489
Transportation	3,000	135,392	-	138,392
General Government	483,734	236	-	483,970
Capital Outlay	33,102	23,492	-	56,594
Debt Service:				
Principal Retirement	139,312	15,846	-	155,158
Interest and Fiscal Charges	25,589	1,727	-	27,316
Total Cash Disbursements	<u>913,188</u>	<u>187,782</u>	<u>-</u>	<u>1,100,970</u>
Excess of Receipts Over/(Under) Disbursements	(85,465)	47,712	151	(37,602)
Other Financing Receipts (Disbursements):				
Other Financing Uses	(250)	-	-	(250)
Total Other Financing Receipts(Disbursements)	<u>(250)</u>	<u>-</u>	<u>-</u>	<u>(250)</u>
Net Change in Fund Cash Balances	(85,715)	47,712	151	(37,852)
Fund Cash Balances, January 1 <i>(Restated - Note 12)</i>	<u>735,237</u>	<u>164,331</u>	<u>5,388</u>	<u>904,956</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,539	5,539
Restricted	-	212,043	-	212,043
Unassigned (Deficit)	649,522	-	-	649,522
Fund Cash Balances, December 31	<u>\$ 649,522</u>	<u>\$ 212,043</u>	<u>\$ 5,539</u>	<u>\$ 867,104</u>

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

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Types</u>			Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:				
Charges for Services	\$ 441,248	\$ -	\$ -	\$ 441,248
Court Fines and Costs	-	24,386	-	24,386
Miscellaneous	-	-	3,000	3,000
Total Operating Cash Receipts	<u>441,248</u>	<u>24,386</u>	<u>3,000</u>	<u>468,634</u>
Operating Cash Disbursements:				
Current:				
Personal Services	76,705	-	-	76,705
Distribution of Court Fines	-	24,386	-	24,386
Contractual Services	172,652	-	-	172,652
Supplies and Materials	43,464	-	-	43,464
Other	635	-	-	635
Total Operating Cash Disbursements	<u>293,456</u>	<u>24,386</u>	<u>-</u>	<u>317,842</u>
Operating Income (Loss)	147,792	-	3,000	150,792
Non-Operating Receipts (Disbursements):				
Capital Outlay	(46,771)	-	-	(46,771)
Principal Retirement	(129,873)	-	-	(129,873)
Interest and Other Fiscal Charges	(17,814)	-	-	(17,814)
Total Non-Operating Receipts (Disbursements)	<u>(194,458)</u>	<u>-</u>	<u>-</u>	<u>(194,458)</u>
Income (Loss) before Transfers	(46,666)	-	3,000	(43,666)
Transfers In	10,000	-	-	10,000
Transfers Out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net Change in Fund Cash Balances	(46,666)	-	3,000	(43,666)
Fund Cash Balances, January 1	<u>308,606</u>	<u>-</u>	<u>1,000</u>	<u>309,606</u>
Fund Cash Balances, December 31	<u>\$ 261,940</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 265,940</u>

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's program (for the benefit of the government or its citizenry). The Village has the following significant permanent fund:

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

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

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

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

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for activity of the Mayor's Court.

Basis of Accounting

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,366	\$827,723	\$118,357
Special Revenue	219,800	235,494	15,694
Permanent	-	151	151
Enterprise	467,000	451,248	(15,752)
Trust	-	3,000	3,000
Total	\$1,396,166	\$1,517,616	\$121,450

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity (Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$988,016	\$913,438	\$74,578
Special Revenue	223,715	187,782	35,933
Enterprise	550,800	497,914	52,886
Total	\$1,762,531	\$1,599,134	\$163,397

Note 4 – Deposits and Investments

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

	2019
Demand deposits	\$1,130,544
Certificates of deposit	1,000
Total deposits	1,131,544
U.S Savings Bonds	1,500
Total deposits and investments	\$1,133,044

Deposits

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

Note 5 – Taxes

Property Taxes

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Taxes (Continued)

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

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

Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. During 2019, Regional Income Tax Agency (R.I.T.A) collected income taxes for the Village.

Note 6 – Risk Management

Risk Pool Membership

The (Village) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (Village's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Water- Water Tower Painting- Community Assistance Fund	\$8,683	2.00%
Water- New Wellfield & Water System Upgrade- Drinking Water Fund	272,216	2.00%
Sewer- WWTP Pump Station- Community Assistance Fund	14,948	2.00%
Water- Water Meter and Tank Improvement- Community Assistance Fund	14,618	2.00%
Sewer- WWTP/PS Upgrade- Community Assistance Fund	556,853	1.50%
Water- Radio-read Water Meters- Community Assistance Fund	290,712	2.00%
Water- Water System Improvement	59,584	2.80%
OPWC- North SR 41 Improvements	25,693	0.00%
OPWC - Wastewater Treatment Repair/Replacement	206,974	0.00%
OPWC- Water Treatment Plant Improvements	86,228	0.00%
John Deere Tractor	3,975	4.00%
Security National Bank - Dump Truck	42,848	4.21%
KS State Bank - Mowers	10,319	8.31%
Total	\$1,593,651	

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

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

In December 2019 the Village obtained an installment loan for \$37,201 from Security National Bank in order to purchase a new dump truck. This loan is at the stated interest rate of 4.25%. The Village will use General funds to pay for the related principal and interest payments for this loan.

In September 2018 the Village obtained an installment loan for \$62,904 from Security National Bank in order to purchase a new dump truck. This loan is at the stated interest rate of 4.12%. The Village will use Enterprise funds to pay for the related principal and interest payments for this loan.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (Continued)

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

In April 2018 the Village obtained an installment loan for \$19,933 from KS State Bank in order to purchase a new mower. This loan is at the stated interest rate of 8.31%. The Village will use Enterprise funds to pay for the related principal and interest payments for this loan.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loans	Other Loans
2020	\$13,750	\$144,117	\$32,062
2021	13,750	144,117	22,556
2022	13,750	144,117	-
2023	13,750	22,340	-
2024	13,750	18,432	-
2025-2029	68,750	92,160	-
2030-2034	63,751	92,160	-
2035-2039	56,251	92,160	-
2040-2044	56,251	84,507	-
2045-2049	5,142	9,363	-
Total	<u>\$318,895</u>	<u>\$843,473</u>	<u>\$54,618</u>

Note 10 – Contingent Liabilities

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

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – Restatement of Beginning Cash Balances

A restatement was made to beginning cash balances to account for old reconciling items being cleared from the Village’s accounting system. These adjustments had the follow effect on the Village’s cash balances:

	<u>General Fund</u>
Cash Balance January 1, 2019	\$ 723,969
Adjustments:	
Fund Balanace Adjustment - General Fund	<u>11,268</u>
Restated cash Balance, January 1, 2019	<u><u>\$ 735,237</u></u>
	<u>Special Revenue Funds</u>
Cash Balance January 1, 2019	\$ 163,064
Adjustments:	
Fund Balance Adjustment - Street Fund	108
Fund Balance Adjustment - State Highway Fund	31
Fund Balance Adjustment - Cemetery Fund	807
Fund Balance Adjustment - Permissive MVL Fund	<u>321</u>
Restated cash Balance, January 1, 2019	<u><u>\$ 164,331</u></u>
	<u>Enterprise Funds</u>
Cash Balance January 1, 2019	\$ 307,033
Adjustments:	
Fund Balance Adjustment - Water Operating Fund	18
Fund Balance Adjustment - Sewer Operating Fund	1,465
Fund Balanace Adjustment - Water & Sewer Deposits Fund	<u>90</u>
Restated cash Balance, January 1, 2019	<u><u>\$ 308,606</u></u>

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**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 73,143	\$ -	\$ -	\$ 73,143
Municipal Income Tax	554,563	99,290	-	653,853
Intergovernmental	20,900	85,703	-	106,603
Charges for Services	920	20,913	-	21,833
Fines, Licenses, and Permits	42,636	1,092	-	43,728
Earnings on Investments	366	111	37	514
Miscellaneous	14,213	247	-	14,460
	<u>706,741</u>	<u>207,356</u>	<u>37</u>	<u>914,134</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons & Property	222,611	-	-	222,611
Public Health Services	-	12,029	-	12,029
Basic Utility Services	996	-	-	996
Transportation	2,645	74,560	-	77,205
General Government	485,651	1,000	-	486,651
Capital Outlay	59,948	21,135	-	81,083
Debt Service:				
Principal Retirement	44,221	16,077	-	60,298
Interest and Fiscal Charges	8,134	886	-	9,020
	<u>824,206</u>	<u>125,687</u>	<u>-</u>	<u>949,893</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	(117,465)	81,669	37	(35,759)
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	37,201	-	-	37,201
Sale of Capital Assets	453	-	-	453
Other Financing Uses	-	(400)	-	(400)
	<u>37,654</u>	<u>(400)</u>	<u>-</u>	<u>37,254</u>
Total Other Financing Receipts(Disbursements)				
Net Change in Fund Cash Balances	(79,811)	81,269	37	1,495
Fund Cash Balances, January 1	803,780	81,795	5,351	890,926
Fund Cash Balances, December 31				
Nonspendable	-	-	5,388	5,388
Restricted	-	163,064	-	163,064
Unassigned (Deficit)	723,969	-	-	723,969
	<u>723,969</u>	<u>163,064</u>	<u>5,388</u>	<u>892,421</u>
Fund Cash Balances, December 31	<u>\$ 723,969</u>	<u>\$ 163,064</u>	<u>\$ 5,388</u>	<u>\$ 892,421</u>

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:				
Charges for Services	\$ 431,320	\$ -	\$ -	\$ 431,320
Miscellaneous	1,154	-	-	1,154
Court Fines and Costs	-	24,572	-	24,572
	<u>432,474</u>	<u>24,572</u>	<u>-</u>	<u>457,046</u>
Operating Cash Disbursements:				
Current:				
Personal Services	71,548	-	-	71,548
Distribution of Court Fines	-	24,572	-	24,572
Contractual Services	149,431	-	-	149,431
Supplies and Materials	93,520	-	-	93,520
Other	1,071	-	-	1,071
	<u>315,570</u>	<u>24,572</u>	<u>-</u>	<u>340,142</u>
Total Operating Cash Disbursements				
Operating Income (Loss)	116,904	-	-	116,904
Non-Operating Receipts (Disbursements):				
Other Debt Proceeds	82,737	-	-	82,737
Capital Outlay	(94,530)	-	-	(94,530)
Principal Retirement	(137,007)	-	-	(137,007)
Interest and Other Fiscal Charges	(28,016)	-	-	(28,016)
	<u>(176,816)</u>	<u>-</u>	<u>-</u>	<u>(176,816)</u>
Total Non-Operating Receipts (Disbursements)				
Income (Loss) before Transfers	(59,912)	-	-	(59,912)
Transfers In	10,000	-	-	10,000
Transfers Out	(10,000)	-	-	(10,000)
	<u>(59,912)</u>	<u>-</u>	<u>-</u>	<u>(59,912)</u>
Net Change in Fund Cash Balances				
Fund Cash Balances, January 1	366,945	-	1,000	367,945
Fund Cash Balances, December 31	<u>\$ 307,033</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 308,033</u>

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's program (for the benefit of the government or its citizenry). The Village has the following significant permanent fund:

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

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

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

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

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for activity of the Mayor's Court.

Basis of Accounting

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,366	\$744,395	\$35,029
Special Revenue	99,800	207,356	107,556
Permanent	-	37	37
Enterprise	549,737	825,211	275,474
Total	\$1,358,903	\$1,776,999	\$418,096

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$831,000	\$824,206	\$6,794
Special Revenue	136,175	126,087	10,088
Enterprise	535,800	502,386	33,414
Total	\$1,502,975	\$1,452,679	\$50,296

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$1,197,954
Certificates of deposit	1,000
Total deposits	1,198,954
U.S Savings Bonds	1,500
Total deposits and investments	\$1,200,454

Deposits

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

Note 5 – Taxes

Property Taxes

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes (Continued)

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

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

Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. During 2018, Regional Income Tax Agency (R.I.T.A) collected income taxes for the Village.

Note 6 – Risk Management

Risk Pool Membership

The (Village) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (Village's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Water- Water Tower Painting- Community Assistance Fund	\$13,690	2.00%
Water- New Wellfield & Water System Upgrade- Drinking Water Fund	429,163	2.00%
Sewer- WWTP Pump Station- Community Assistance Fund	20,254	2.00%
Water- Water Meter and Tank Improvement- Community Assistance Fund	23,046	2.00%
Sewer- WWTP/PS Upgrade- Community Assistance Fund	584,771	1.50%
Water- Radio-read Water Meters- Community Assistance Fund	304,677	2.00%
Water- Water System Improvement	61,704	2.80%
OPWC- North SR 41 Improvements	28,193	0.00%
OPWC - Wastewater Treatment Repair/Replacement	215,030	0.00%
OPWC- Water Treatment Plant Improvements	89,421	0.00%
John Deere Tractor	11,690	4.00%
Security National Bank- Police Cruiser	18,966	4.25%
Security National Bank - Dump Truck	62,904	4.21%
KS State Bank - Mowers	15,173	8.31%
Total	\$1,878,682	

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

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

In September 2018 the Village obtained an installment loan for \$62,904 from Security National Bank in order to purchase a new dump truck. This loan is at the stated interest rate of 4.12%. The Village will use Enterprise funds to pay for the related principal and interest payments for this loan.

In January 2018 the Village obtained an installment loan for \$37,201 from Security National Bank in order to purchase a new police cruiser. This loan is at the stated interest rate of 4.25%. The Village will use General funds to pay for the related principal and interest payments for this loan.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

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

In April 2018 the Village obtained an installment loan for \$19,933 from KS State Bank in order to purchase a new mower. This loan is at the stated interest rate of 8.31%. The Village will use Enterprise funds to pay for the related principal and interest payments for this loan.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loans	Other Loans
2019	\$13,750	\$144,117	\$61,137
2020	13,750	144,117	32,062
2021	13,750	144,117	22,556
2022	13,750	144,117	-
2023	13,750	22,340	-
2024-2028	68,750	92,160	-
2029-2033	66,251	92,160	-
2034-2038	56,251	92,160	-
2039-2043	56,251	92,160	-
2044-2048	16,391	20,140	-
Total	\$332,644	\$987,588	\$115,755

Note 10 – Contingent Liabilities

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



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of South Charleston
Clark County
35 South Chillicothe Street
PO Box X
South Charleston, OH 45368

To the Village 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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 19, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion due to lack of sufficient appropriate audit evidence supporting the amounts recorded as Permanent Fund Cemetery Bequest Funds. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

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.

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

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 a 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. We consider findings 2019-001 through 2019-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-006 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001, 2019-005 and 2019-007.

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 report is not suitable for any other purpose.

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

BHM CPA Group, Inc.
Piketon, Ohio
June 19, 2020

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-001

Noncompliance Citation / Material Weakness

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

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

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

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

2018

- Agency Fund distribution of court fines revenues and court fines and cost disbursements increased \$24,572 to account for Mayors Court activity not posted to the Mayors Court Fund;
- Debt proceeds and capital outlay expenditures increased by \$37,201 in the General Fund and the \$82,737 in the Water Fund to account for new loans issued during 2018;
- The Village posted many debt payments to the incorrect fund and accounts requiring an adjustment or reclassification
 - Principal payments in the general fund increased \$18,237, decreased in the street and water fund by \$629 and \$9,546, respectfully;
 - Interest payments in the general and street funds increased by \$1,834 and \$500, respectfully, while decreased in the water fund by \$734;
 - Capital outlay expenses decreased in the general fund by \$9,662
 - Beginning balances in the General, Special Revenue and Enterprise funds were adjusted to reflect prior audit adjustments not properly posted to the village's accounting system

2019

- Agency Fund distribution of court fines revenues and court fines and cost disbursements increased \$24,386 to account for Mayors Court activity not posted to the Mayors Court Fund;
- Private Purpose Trust Fund Miscellaneous Receipts totaling \$3,000 were incorrectly recorded as Charges for Services;
- The Village posted many debt payments to the incorrect fund and accounts requiring an adjustment or reclassification
 - Principal payments in the general and permissive motor vehicle fund increased \$29,347 and \$3,216, respectively and in the water and street fund decreased by \$3,558 and \$327, respectively;
 - Interest payments in the general and street funds increased by \$2,224 and \$327, respectively and decreased in the water fund by \$6,772;
 - General Government expenses in the general fund were decreased by \$7,405;
 - Capital outlay expenses in the general fund were decreased by \$13,886;
 - Transportation expenses in the permissive motor vehicle fund were decreased by \$3,216

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-001
(Continued)

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

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2019-002

Material Weakness

Segregation of Duties

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

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

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

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2019-003

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.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-003
(Continued)

The Village presented Cemetery Bequest Funds as Permanent Funds without basing this decision on the original trust agreements. The Bequest Funds represent 100% of the Permanent Funds, totaling \$5,539 and \$5,388 at December 31, 2019 and 2018, respectively. The Village was only able to provide documentation for a \$1,000 bequest made in 1964 by means of a US Savings Bond. Audit adjustments have been made to properly account for this bequest as a Private Purpose trust fund. However, without the original trust agreement for any other bequest it is not possible to determine whether the remaining Cemetery Bequest Funds should be presented as Permanent Funds (benefit to the Village) or Private Purpose Trust Funds (benefit to other organizations, governments, or individuals). In addition, the lack of trust agreements may 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 the Ohio Revised Code if documentation cannot be located to support the existence of a trust agreement, whether expendable or nonexpendable. In addition, the Village should review accounting literature to assist in the correct classification of these funds.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2019-004

Material Weakness

Ohio Public Works Commission and Ohio Water Development Authority Transactions

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

The Village posted some of their debt payments to OPWC and OWDA to the incorrect account. The following items required reclassification.

2018

- Principal Retirement;
- Interest and Fiscal Charges

2019

- Principal Retirement;
- Interest and Fiscal Charges;
- General Government

The fact that posting errors resulting in reclassifications entries occurred indicates a deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the debt disbursements for the Village for 2018 and 2019.

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

Officials Response: We did not receive a response to this finding.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-005

Material Weakness/Noncompliance

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Section 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – if the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("Now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment or ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village's Fiscal Officer did not certify the availability of funds prior to making commitments during 2018 for 52% of disbursements tested and 53% of the disbursements tested during 2019. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Village's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Officials Response: We did not receive a response to this finding.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-006

Significant Deficiency – *Internal Controls related to Disbursements*

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies;
- Ensure that accounting records are properly designed;
- Ensure adequate security of assets and records;
- Plan for adequate segregation of duties or compensating controls;
- Perform analytical procedures to determine the reasonableness of financial data;
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements

Public funds were used to pay late fees and other fees. The improper use of funds was not detected in a timely manner by the Village's controls structure and represents a significant deficiency in the control environment. Late fees were noted to be paid during the course of the audit which was not prevented or detected by the Village's internal controls over financial reporting.

To ensure public monies are used for the purposes for which they were raised, financial management should review the Ohio Revised Code and perform a more detailed review of purchases before they are made. Professional services should be advised if financial management is unsure of a financial decision.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2019-007

Noncompliance

Ohio Revised Code 5705.10 states that money paid into a fund shall only be used for the purposes for which the fund is established.

The Village had several invoices that were paid late during the audit period. These late payments resulted in the Village incurring late charges totaling \$754.21 during 2018 and \$2,253.03 during 2019 which is deemed an improper use of public funds.

The Village should adopt procedures to ensure that all payments are being made when due to avoid any late charges.

Officials Response: We did not receive a response to this finding.

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VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY
DECEMBER 31, 2019 AND 2018

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Material Weakness / Noncompliance Ohio Admin. Code 733.28 Ohio Admin. Code 117-2-01(A)	No	Reissued as Finding 2019-001
2017-002	Material Weakness – Segregation of Duties	No	Reissued as Finding 2019-002
2017-003	Material Weakness – Cemetery Bequest Funds Documentation	No	Reissued as Finding 2019-003
2017-004	Material Weakness – Ohio Public Works Commission and Ohio Water Development Authority Transactions	No	Reissued as Finding 2019-004

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SOUTH CHARLESTON

CLARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov