



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of South Charleston
35 South Chillicothe Street
South Charleston, OH 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, 2020 through December 31, 2021. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2022

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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 Council:

Report on the Audit of the Financial Statements

Qualified and Adverse Opinions

We have audited the financial statements of the Village of South Charleston, Clark County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes of the Village of South Charleston, Clark County in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Village reported the Permanent Fund cash balances of \$5,644 and \$5,618 at December 31, 2021 and 2020, 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.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the 2021 financial statements and Note 13 to the 2020 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonably user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



BHM CPA Group, Inc.
Piketon, Ohio
July 28, 2022

**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, 2021**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property Taxes	\$ 68,549	\$ -	\$ -	\$ -	\$ 68,549
Municipal Income Tax	683,063	108,122	-	-	791,185
Intergovernmental	35,052	203,413	-	-	238,465
Special Assessments	44,602	-	53,620	-	98,222
Charges for Services	677	16,986	-	-	17,663
Fines, Licenses, and Permits	38,964	634	-	-	39,598
Earnings on Investments	261	81	-	26	368
Miscellaneous	68,996	981	22,980	-	92,957
Total Cash Receipts	<u>940,164</u>	<u>330,217</u>	<u>76,600</u>	<u>26</u>	<u>1,347,007</u>
Cash Disbursements:					
Current:					
Security of Persons & Property	272,236	-	-	-	272,236
Public Health Services	-	30,580	-	-	30,580
Basic Utility Services	1,380	-	-	-	1,380
Transportation	-	200,312	-	-	200,312
General Government	485,564	18,584	-	-	504,148
Capital Outlay	84,647	51,350	-	-	135,997
Debt Service:					
Principal Retirement	48,383	15,791	-	-	64,174
Interest and Fiscal Charges	10,532	1,413	68,940	-	80,885
Total Cash Disbursements	<u>902,742</u>	<u>318,030</u>	<u>68,940</u>	<u>-</u>	<u>1,289,712</u>
Excess of Receipts Over/(Under) Disbursements	37,422	12,187	7,660	26	57,295
Other Financing Receipts (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds	53,000	-	-	-	53,000
Other Financing Uses	(51,844)	-	-	-	(51,844)
Total Other Financing Receipts(Disbursements)	<u>1,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,156</u>
Net Change in Fund Cash Balances	38,578	12,187	7,660	26	58,451
Fund Cash Balances, January 1	<u>782,020</u>	<u>176,687</u>	<u>-</u>	<u>5,618</u>	<u>964,325</u>
Fund Cash Balances, December 31	<u>\$ 820,598</u>	<u>\$ 188,874</u>	<u>\$ 7,660</u>	<u>\$ 5,644</u>	<u>\$ 1,022,776</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Proprietary Fund Types	
	Enterprise	
Operating Cash Receipts:		
Charges for Services	\$	503,544
Miscellaneous		20,887
Total Operating Cash Receipts		524,431
Operating Cash Disbursements:		
Current:		
Personal Services		77,339
Contractual Services		151,065
Supplies and Materials		48,725
Other		90
Total Operating Cash Disbursements		277,219
Operating Income (Loss)		247,212
Non-Operating Receipts (Disbursements):		
Loans Issued		54,715
Capital Outlay		(70,205)
Principal Retirement		(149,607)
Interest and Other Fiscal Charges		(26,915)
Total Non-Operating Receipts (Disbursements)		(192,012)
Income (Loss) before Transfers		55,200
Transfers In		10,000
Transfers Out		(10,000)
Net Change in Fund Cash Balances		55,200
Fund Cash Balances, January 1		295,240
Fund Cash Balances, December 31	\$	350,440

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Private Purpose Trust</u>	<u>Custodial Other Custodial</u>	<u>(Memorandum Only)</u>
Additions			
Fines, Licenses and Permits for Distribution	\$ -	\$ 19,216	\$ 19,216
Total Additions	<u>-</u>	<u>19,216</u>	<u>19,216</u>
Deductions			
Distributions to Other Governments	<u>-</u>	<u>19,216</u>	<u>19,216</u>
Total Deductions	<u>-</u>	<u>19,216</u>	<u>19,216</u>
Net Change in Fund Balances	-	-	-
Fund Cash Balances, January 1	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Fund Cash Balances, December 31	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</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, 2021

Note 1 – Reporting 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.

Public Entity Risk Pools

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Corona Relief Fund This fund receives state and federal for the help to cover cost of coronavirus extra expenses.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Other Capital Projects Fund This fund is used for the payment of capital costs associated with the Village's OWDA projects.

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 programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted 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 Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria. The Village's private purpose trusts funds account is for the benefit of certain individuals' grave sites.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for activity related to the Mayor's Court.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 (C). 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).

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 (C) permit.

Budgetary Process

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

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

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 canceled, and reappropriated in the subsequent year.

A summary of 2021 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.

The Village values U.S. Treasury Notes and common stock at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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:

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

Fund Type	2021 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$709,366	\$992,008	\$282,642
Special Revenue	304,596	330,217	25,621
Capital Projects	68,940	76,600	7,660
Permanent	0	26	26
Enterprise	467,000	642,146	175,146
Total	\$1,549,902	\$2,040,997	\$491,095

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$987,710	\$954,586	\$33,124
Special Revenue	353,600	318,030	35,570
Capital Projects	68,940	68,940	0
Enterprise	538,500	533,946	4,554
Total	\$1,948,750	\$1,875,502	\$73,248

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated accounts which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool. (Delete previous sentence if the village does not have any amounts in segregated clearing accounts or amounts with fiscal and escrow agents.) A summary of the Village’s deposit and investment accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$1,374,716
Total deposits	1,374,716
U.S. Treasury Notes	2,500
Total investments	2,500
Total carrying amount of deposits and investments held in the Pool	1,377,216

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Federal Reserve holds the Village’s U.S. Treasury Notes in book-entry form by, in the name of the Village’s financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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 1.25 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.

Note 6 – Risk Management

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 (local entity'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 actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.50 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2021.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
OWDA loans	\$990,418	1.50-2.80%
OPWC Loans	\$298,269	0.00%
Police Cruiser	30,197	2.00%
Total	\$1,318,884	

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 2047. 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 March 2021 the Village obtained acquisition bonds for \$53,000 from The Park National Bank in order to purchase a police cruiser. This loan is at the stated interest rate of 2.00%. The Village will use General and Special Revenue 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	Police Cruiser
2022	\$13,750	\$171,361	\$17,703
2023	13,750	49,584	13,588
2024	13,750	45,677	
2025	13,750	45,677	
2026	13,750	45,677	
2027-2031	68,751	228,385	
2032-2036	58,751	228,385	
2037-2041	56,251	228,385	
2042-2046	44,168	135,618	
2047	1,598	3,121	
Total	<u>\$298,269</u>	<u>\$1,181,870</u>	<u>\$31,291</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.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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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, 2020**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 67,489	\$ -	\$ -	\$ 67,489
Municipal Income Tax	628,584	82,023	-	710,607
Intergovernmental	31,205	206,679	-	237,884
Charges for Services	728	17,631	-	18,359
Fines, Licenses, and Permits	40,449	636	-	41,085
Earnings on Investments	769	237	79	1,085
Miscellaneous	81,533	1,435	-	82,968
Total Cash Receipts	<u>850,757</u>	<u>308,641</u>	<u>79</u>	<u>1,159,477</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	170,565	81,350	-	251,915
Public Health Services	-	11,429	-	11,429
Basic Utility Services	483	705	-	1,188
Transportation	-	179,271	-	179,271
General Government	457,809	11,923	-	469,732
Capital Outlay	30,503	38,082	-	68,585
Debt Service:				
Principal Retirement	47,686	19,832	-	67,518
Interest and Fiscal Charges	11,213	1,405	-	12,618
Total Cash Disbursements	<u>718,259</u>	<u>343,997</u>	<u>-</u>	<u>1,062,256</u>
Net Change in Fund Cash Balances	132,498	(35,356)	79	97,221
Fund Cash Balances, January 1	<u>649,522</u>	<u>212,043</u>	<u>5,539</u>	<u>867,104</u>
Fund Cash Balances, December 31	<u>\$ 782,020</u>	<u>\$ 176,687</u>	<u>\$ 5,618</u>	<u>\$ 964,325</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Proprietary Fund Types	
	Enterprise	
Operating Cash Receipts:		
Charges for Services	\$	473,870
Miscellaneous		1,159
		475,029
Total Operating Cash Receipts		475,029
Operating Cash Disbursements:		
Current:		
Personal Services		69,314
Contractual Services		191,823
Supplies and Materials		41,230
Other		354
		302,721
Total Operating Cash Disbursements		302,721
Operating Income (Loss)		172,308
Non-Operating Receipts (Disbursements):		
Loans Issued		23,408
Capital Outlay		(24,778)
Principal Retirement		(126,412)
Interest and Other Fiscal Charges		(11,226)
		(139,008)
Total Non-Operating Receipts (Disbursements)		(139,008)
Income (Loss) before Transfers		33,300
Transfers In		10,000
Transfers Out		(10,000)
		33,300
Net Change in Fund Cash Balances		33,300
Fund Cash Balances, January 1		261,940
Fund Cash Balances, December 31	\$	295,240

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

**VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY**

**COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Private Purpose Trust</u>	<u>Custodial Other Custodial</u>	<u>(Memorandum Only)</u>
Additions			
Fines, Licenses and Permits for Distribution	\$ -	\$ 19,875	\$ 19,875
Total Additions	<u>-</u>	<u>19,875</u>	<u>19,875</u>
Deductions			
Distributions to Other Governments	<u>-</u>	<u>19,875</u>	<u>19,875</u>
Total Deductions	<u>-</u>	<u>19,875</u>	<u>19,875</u>
Net Change in Fund Balances	-	-	-
Fund Cash Balances, January 1	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Fund Cash Balances, December 31	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</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, 2020

Note 1 – Reporting 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.

Public Entity Risk Pools

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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 programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted 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 Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust meeting certain criteria. The Village's private purpose trusts funds account is for the benefit of certain individuals' grave sites.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for activity related to the Mayor's Court.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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.

Budgetary Process

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

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

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2020 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.

The Village values U.S. Treasury Notes and common stock at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$710,281	\$850,757	\$140,476
Special Revenue	218,300	308,641	90,341
Permanent	0	79	79
Enterprise	457,000	508,437	51,437
Total	\$1,385,581	\$1,667,914	\$282,333

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$925,205	\$718,259	\$206,946
Special Revenue	269,800	343,997	(74,197)
Enterprise	583,910	475,137	108,773
Total	\$1,778,915	\$1,537,393	\$241,522

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit and investment accounts are as follows

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$1,261,065
Total deposits	1,261,065
U.S. Treasury Notes	2,500
Total investments	2,500
Total carrying amount of deposits and investments held in the Pool	1,263,565

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Federal Reserve holds the Village’s U.S. Treasury Notes in book-entry form by, in the name of the Village’s financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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 1.25% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Note 6 – Risk Management

Risk Pool Membership

The (local entity) 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 (local entity'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>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries, and the Village contributed an amount equaling 14% percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% percent of their wages. The Village contributed to OP&F an amount equal to 19.50% percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loans	\$1,090,981	1.5-2.8%
OPWC Loans	\$312,019	0.00%
Dump Truck	<u>\$21,950</u>	4.12%
Total	<u>\$1,424,950</u>	

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

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 2047. 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.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loans	Dump Truck
2021	\$13,750	\$171,361	\$22,956
2022	13,750	171,361	
2023	13,750	49,584	
2024	13,750	45,677	
2025	13,750	45,677	
2026-2030	68,751	228,385	
2031-2035	61,251	228,385	
2036-2040	56,252	228,385	
2041-2045	52,224	178,173	
2046-2047	4,791	6,242	
Total	<u>\$312,019</u>	<u>\$1,353,230</u>	<u>\$22,956</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 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Village of South Charleston, Ohio
Clark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The effect of this change had no effect on the beginning cash balance in the Special Revenue Fund Type or in the Fiduciary Fund Type.

Note 13 – COVID-19

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



**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
P.O. Box X
South Charleston, OH 45368

To the Village Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of South Charleston, Clark County, (the Village) and have issued our report thereon dated July 28, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 through 2021-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-001 and 2021-005.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
July 28, 2022

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDING NUMBER 2021-001

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.

Material and immaterial errors were identified during auditing procedures. The following errors were identified and adjusted on the financial statements:

2020

- Custodial Fund distribution of court fines revenues and court fines and cost disbursements increased \$19,875 to account for Mayors Court activity not posted to the Mayors Court Fund;
- Debt proceeds and capital outlay expenditures increased by \$23,408 in the Water Fund to account for new loans issued during 2020;
- The Village posted many debt payments to the incorrect fund and accounts requiring an adjustment or reclassification
 - Principal payments in the Special Revenue funds and Enterprise funds increased by \$4,811 and \$5,940, respectively, while they decreased in the General Fund by \$2,314;
 - Interest payments in the General, Special Revenue, and Enterprise funds decreased by \$787, \$1,595, and \$6,512, respectively;
 - Street, Highway, Curb, and Sidewalk expenses decreased by \$3,216 in the Special Revenue funds;
 - Capital outlay expenses increased in the General fund by \$3,101;
 - Operating Supplies and Materials expenses increased in the Water fund by \$575;
 - 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;
- Intergovernmental revenues in the Special Revenue funds increased by \$97,209 while Miscellaneous Operating Revenues and Extraordinary Items in the General fund decreased by \$62,415 and \$34,794, respectively, to account for incorrectly recording Intergovernmental amounts as Miscellaneous Income and not creating a Coronavirus Relief fund;
- Various expenses in the Special Revenue funds increased by \$97,209, while various expenses in the General fund decreased by \$97,209 due to incorrectly recording COVID-19 monies into the General fund;
- Numerous corrections and updates were required for the notes to the financial statements.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDING NUMBER 2021-001

(Continued)

2021

- Custodial Fund distribution of court fines revenues and court fines and cost disbursements increased \$19,216 to account for Mayors Court activity not posted to the Mayors Court Fund;
- Debt proceeds and capital outlay expenditures increased by \$54,715 in the Water fund to account for new loans issued during 2021;
- Bond sales and capital outlay expenditures increased by \$53,000 in the General fund to account for bonds sold during 2021;
- The Village posted many debt payments to the incorrect fund and accounts requiring an adjustment or reclassification
 - Principal payments in the Enterprise funds increased by \$95, while principal payments decreased in the General and Special Revenue funds by \$1,617 and \$4,209, respectively;
 - Interest payments in the General, Special Revenues, and Enterprise funds decreased by \$1,468, \$1,587, and \$7,065, respectively;
 - Street, Highway, Curb, and Sidewalk expenses in the permissive motor vehicle fund were decreased by \$3,216;
 - Capital outlay expenses in the General fund, Special Revenues, and Enterprise funds were increased by \$3,085, \$9,012, and \$6,970, respectively;
- Numerous corrections and updates were required for the notes to the financial statements.

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 2021-002

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.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDING NUMBER 2021-003

Material Weakness - Cemetery Bequest Funds Documentation

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

The Village presented Cemetery Bequest Funds as Permanent Funds without basing this decision on the original trust agreements. The Bequest Funds represent 100% of the Permanent Funds, totaling \$5,644 and \$5,618 at December 31, 2021 and 2020, 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 2021-004

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.

2020

- Principal Retirement;
- Interest and Fiscal Charges
- Transportation

2021

- Principal Retirement;
- Interest and Fiscal Charges;
- Transportation

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 2020 and 2021.

VILLAGE OF SOUTH CHARLESTON
CLARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDING NUMBER 2021-004
(Continued)

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.

FINDING NUMBER 2021-005

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 2020 for 8 of the 26 disbursements tested and 20 of the 33 disbursements tested during 2021. 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
DECEMBER 31, 2021 AND 2020

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:
2019-001	Material Weakness / Noncompliance Ohio Admin. Code 733.28 Ohio Admin. Code 117-2-01(A)	No	Reissued as Finding 2021-001
2019-002	Material Weakness – Segregation of Duties	No	Reissued as Finding 2021-002
2019-003	Material Weakness – Cemetery Bequest Funds Documentation	No	Reissued as Finding 2021-003
2019-004	Material Weakness – Ohio Public Works Commission and Ohio Water Development Authority Transactions	No	Reissued as Finding 2021-004
2019-005	Material Weakness/Noncompliance – 5705.41(D)(1)	No	Reissued as Finding 2021-005
2019-006	Significant Deficiency – Internal Controls related to Disbursements	Yes	
2019-007	Noncompliance – 5705.10	Yes	

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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 9/8/2022

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