



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2000 .....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	19

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of South Charleston  
Clark County  
35 South Chillicothe Street  
Post Office Box X  
South Charleston, Ohio 45368

To the Village Commission:

We have audited the accompanying financial statements of the Village of South Charleston, Clark County, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of South Charleston  
Clark County  
Report of Independent Accountants  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

October 3, 2002

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$412,187	\$21,935	\$434,122
Intergovernmental Receipts	160,868	94,093	254,961
Charges for Services	250	13,499	13,749
Fines, Licenses, and Permits	45,742		45,742
Earnings on Investments	1,525	2,524	4,049
Miscellaneous	20,684	4,525	25,209
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	641,256	136,576	777,832
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	144,300	24,309	168,609
Public Health Services		44,223	44,223
Transportation		24,672	24,672
General Government	323,086	780	323,866
Capital Outlay	9,761	70,073	79,834
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	477,147	164,057	641,204
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	164,109	(27,481)	136,628
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		40,000	40,000
Transfers-Out	(40,000)		(40,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(40,000)	40,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	124,109	12,519	136,628
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	42,195	63,809	106,004
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$166,304</b> <hr/>	<hr/> <b>\$76,328</b> <hr/>	<hr/> <b>\$242,632</b> <hr/>
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$1,400	\$1,050	\$2,450

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$337,516			\$337,516
Interest		\$989		989
Court Fines			\$38,350	38,350
<b>Total Operating Cash Receipts</b>	<b>337,516</b>	<b>989</b>	<b>38,350</b>	<b>376,855</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	42,476			42,476
Fringe Benefits	13,620			13,620
Contractual Services	148,142			148,142
Supplies and Materials	21,912			21,912
Distribution of Court Fines			38,350	38,350
Capital Outlay	243,834			243,834
Miscellaneous	1,640			1,640
<b>Total Operating Cash Disbursements</b>	<b>471,624</b>		<b>38,350</b>	<b>509,974</b>
Operating Income/(Loss)	(134,108)	989		(133,119)
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	236,183			236,183
Other Non-Operating Receipts	2,127			2,127
<b>Total Non-Operating Cash Receipts</b>	<b>238,310</b>			<b>238,310</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service - Principal	113,959			113,959
Debt Service - Interest	55,302			55,302
<b>Total Non-Operating Cash Disbursements</b>	<b>169,261</b>			<b>169,261</b>
Excess of Receipts Over/(Under) Disbursements	(65,059)	989		(64,070)
Fund Cash Balances, January 1	215,240	32,884		248,124
<b>Fund Cash Balances, December 31</b>	<b>\$150,181</b>	<b>\$33,873</b>	<b>\$0</b>	<b>\$184,054</b>
Reserve for Encumbrances, December 31	\$4,452	\$0	\$0	\$4,452

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$414,401	\$22,910	\$437,311
Intergovernmental Receipts	48,864	300,265	349,129
Charges for Services	340	17,086	17,426
Fines, Licenses, and Permits	40,797		40,797
Earnings on Investments	6,038	2,704	8,742
Miscellaneous	20,472	398	20,870
	<u>530,912</u>	<u>343,363</u>	<u>874,275</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	172,496	8,167	180,663
Public Health Services		35,192	35,192
Transportation		105,295	105,295
General Government	455,410	2,293	457,703
Capital Outlay		231,933	231,933
	<u>627,906</u>	<u>382,880</u>	<u>1,010,786</u>
Total Receipts Over/(Under) Disbursements	<u>(96,994)</u>	<u>(39,517)</u>	<u>(136,511)</u>
Fund Cash Balances, January 1	<u>139,189</u>	<u>103,326</u>	<u>242,515</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$42,195</u></b>	<b><u>\$63,809</u></b>	<b><u>\$106,004</u></b>
Reserves for Encumbrances, December 31	<u>\$243</u>	<u>\$36,285</u>	<u>\$36,528</u>

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

VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$412,563			\$412,563
Interest		\$2,222		2,222
Court Fines			\$34,179	34,179
<b>Total Operating Cash Receipts</b>	<b>412,563</b>	<b>2,222</b>	<b>34,179</b>	<b>448,964</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	30,487			30,487
Fringe Benefits	8,767			8,767
Contractual Services	332,177			332,177
Supplies and Materials	18,282			18,282
Distribution of Court Fines			34,179	34,179
Capital Outlay	104,674			104,674
Miscellaneous	1,440			1,440
<b>Total Operating Cash Disbursements</b>	<b>495,827</b>		<b>34,179</b>	<b>530,006</b>
Operating Income/(Loss)	(83,264)	2,222		(81,042)
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	298,370			298,370
<b>Total Non-Operating Cash Receipts</b>	<b>298,370</b>			<b>298,370</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service - Principal	56,484			56,484
Debt Service - Interest	59,544			59,544
<b>Total Non-Operating Cash Disbursements</b>	<b>116,028</b>			<b>116,028</b>
Excess of Receipts Over/(Under) Disbursements	99,078	2,222		101,300
Fund Cash Balances, January 1	116,162	30,662		146,824
<b>Fund Cash Balances, December 31</b>	<b>\$215,240</b>	<b>\$32,884</b>	<b>\$0</b>	<b>\$248,124</b>
Reserve for Encumbrances, December 31	\$1,000	\$0	\$0	\$1,000

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Enterprise Funds**

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

**Water Fund** - This fund receives charges for services from residents to cover the cost of providing this utility. This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

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

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation and sick leave are not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$424,186	\$291,648
Certificates of deposit	1,000	60,980
Total deposits	425,186	352,628
U.S. Savings Bonds	1,500	1,500
Total investments	1,500	1,500
Total deposits and investments	\$426,686	\$354,128

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

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$667,256	\$641,256	(\$26,000)
Special Revenue	196,836	176,576	(20,260)
Enterprise	2,305,080	575,826	(1,729,254)
Non Expendable Trust	939	989	50
Total	\$3,170,111	\$1,394,647	(\$1,775,464)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$787,829	\$518,547	\$269,282
Special Revenue	299,806	165,107	134,699
Enterprise	534,096	645,337	(111,241)
Non Expendable Trust	30,731	0	30,731
Total	\$1,652,462	\$1,328,991	\$323,471

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$699,818	\$530,912	(\$168,906)
Special Revenue	140,141	343,363	203,222
Enterprise	773,820	710,933	(62,887)
Non Expendable Trust	912	2,222	1,310
Total	\$1,614,691	\$1,587,430	(\$27,261)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$838,981	\$628,149	\$210,832
Special Revenue	243,401	419,165	(175,764)
Enterprise	888,980	612,855	276,125
Non Expendable Trust	78,762	0	78,762
Total	\$2,050,124	\$1,660,169	\$389,955

Contrary to Ohio law, budgetary expenditures exceeded appropriation for certain funds and certain expenditure obligations were not properly encumbered.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY TAX**

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

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

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

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

**5. LOCAL INCOME TAX**

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$669,610	7.59%
Ohio Water Development Authority Loan	10,000	0.00%
Total	<u>\$679,610</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (continued)**

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

	<u>OWDA Loan</u>
Year ending December 31:	
2002	85,320
2003	85,320
2004	85,320
2005	85,320
2006	82,820
2007 - 2011	414,100
2012 - 2014	248,460
Total	<u>\$1,086,660</u>

Additionally, the Ohio Water Development Authority approved the Village for the following loan agreements:

	<u>Principal Amount Financed</u>	<u>Amount Disbursed through Dec 31, 2001</u>	<u>Interest Rate</u>	<u>Repayment Terms</u>
Ohio Water Development Authority Loan	\$1,841,613	\$1,561,670	2.00%	20 years
Ohio Water Development Authority Loan	58,750	400	2.00%	20 years
Ohio Water Development Authority Loan	\$200,000	0	2.00%	20 years
Total	<u>\$2,100,363</u>	<u>\$1,562,070</u>		

These loans relate to the following projects: a New Wellfield and Water System Upgrade, Water Tower Painting, and Water Meter and Tank Improvement, respectively. The repayment status on each of these loans is considered unbilled by the Ohio Water Development Authority, since the projects have not been completed as of December 31, 2001.

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. RISK MANAGEMENT**

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

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

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

**9. CONTINGENT LIABILITIES**

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

**10. NONCOMPLIANCE**

The Village did not post the proceeds of matured certificates of deposit to the appropriate fund or routinely certify the availability of funds, and had excesses of expenditures over appropriations.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

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

Village of South Charleston  
Clark County  
35 South Chillicothe Street  
Post Office Box X  
South Charleston, Ohio 45368

To the Village Commission:

We have audited the accompanying financial statements of the Village of South Charleston, Clark County, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated October 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30312-001, 2001-30312-002 and 2001-30312-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 3, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-30312-004.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 3, 2002.

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



**Jim Petro**  
Auditor of State

October 3, 2002

VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30312-001

**Noncompliance Citation – Allocation of Revenues**

**Ohio Rev. Code § 5705.10**, requires that all sources other than the general property tax, unless its use for a particular purpose is prescribed by law, be paid into the general fund. It furthermore requires that money paid into any fund shall be used only for the purpose for which the fund was established.

The Village redeemed three certificates of deposits allocated to the Cemetery Bequest Fund, (Non-Expendable Trust, Fiduciary Fund Type) and recorded most of the proceeds in the Cemetery Fund, (Special Revenue Fund Type). Additionally, the Village's cash book was understated by \$344 as compared to its bank funds. The Village's posting of these transactions resulted in the following adjustments. These adjustments have been recorded on the Village's accounting records and are reflected in the accompanying financial statements.

- A) Reduction of cash fund balance for the General Fund by \$766,
- B) Reduction of cash fund balance for the Cemetery Fund, Special Revenue Fund Type by \$27,646, and
- C) Increase of cash fund balance for the Cemetery Bequest Fund, Non-Expendable Trust Fund Type by \$28,756.

As of October 3, 2002, the Cemetery Special Revenue Fund did not have adequate funds to cover the amount inappropriately posted to this fund. Although this amount has been posted to the financial statements, the UAN system will not allow fund balances to be adjusted to negative amounts. Village officials have agreed to post the difference of \$5,218.42 to the Cemetery Bequest Fund when funds are available from the Cemetery Special Revenue fund. Additionally, the Village should locate the trust agreement for the Cemetery Bequest Fund, if possible, to determine the allowable use of these funds. In lieu of the agreement, the Village should maintain the funds in the Non-Expendable Trust Fund Type or seek court approval to use the cash fund balance for cemetery purposes.

FINDING NUMBER 2001-30312-002

**Noncompliance Citation – Proper Encumbrance**

**Section 29 of the Village Charter**, states, in part, that no contract or agreement involving the expenditure of money shall be entered into, nor shall any ordinance, resolution or order for the expenditure of money be passed by the Village Commission, or be authorized by any officer of the village, unless the village clerk shall first certify to the commission or to the proper officer, as the case may be, that the money required for such contract, agreement, obligation or expenditure, is in the treasury to the credit of the fund from which it is to be drawn, and not appropriated for any other purpose, which certificate shall be filed and immediately recorded.

The Village did not obtain the fiscal officer's certificate prior to obligation for \$516,355 or 93% of the expenditures tested in 2000 and \$306,979 or 94% of the expenditures tested in 2001.

The Village should develop and implement procedures to provide for the fiscal officer's certification of the availability of funds prior to the obligation of Village funds.

**FINDING NUMBER 2001-30312-003**

**Noncompliance Citation – Budgetary Expenditures Exceeding Appropriations**

**Ohio Rev. Code, Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village expended money without it having first been appropriated.

As of December 31, 2000, at the fund level, the Special Revenue fund type had total appropriations of \$243,401, total expenditures of \$382,880, outstanding encumbrances of \$36,285, resulting in a variance of (\$175,764). The variance resulted from recording on-behalf of activity with no appropriation authority.

The following variances were noted at the legal level of control as of December 31, 2000:

Fund/ Account	Appropriations	Budgetary Expenditures	Variance
General Fund/ Other Miscellaneous	\$111,000	\$232,749	(\$121,749)
Street Fund/ Salaries	10,000	42,535	(\$32,535)
Motor Vehicle License Tax Fund/ Streets	34,226	50,592	(\$16,366)
Total	<u>\$155,226</u>	<u>\$325,876</u>	<u>(\$170,650)</u>

As of December 31, 2001, at the fund level, the Enterprise Funds had total appropriations of \$534,096, total expenditures of \$645,337, resulting in a variance of (\$111,241). The variance resulted from recording on-behalf activity with no appropriation authority. Additionally, a minor variance was noted at the legal level of control.

The Village should develop and implement procedures to routinely monitor all budgetary and actual activity to provide that legal requirements are met and to reduce the potential of overspending Village resources, including appropriation of funds prior to actual expenditure.

**FINDING NUMBER 2001-30312-004**

**Reportable Condition/ Material Weakness – Receipting and Reconciliation**

The Village’s cash reconciliation showed Other Adjusting Factors of (\$405) as of December 31, 2001 and \$517 as of December 31, 2000. The Village could not provide any documentation to support these variances. Failure to accurately reconcile accounts in a timely manner could result in significant errors remaining undetected.

Additionally, during 2000, the Village closed the payroll sweep account and transferred the funds into the general checking account. The Village erroneously recorded the revenue transaction as a transfer-in, on the general ledger for \$1,401. Subsequently, it was determined that these funds represented a direct deposit from the U.S. Treasury for COPS Fast grant funding. A reclassification is reflected in the accompanying financial statements and eligible payroll expenditures were posted to the General Fund.

To provide for accurate financial reporting and the safeguarding of assets, the Village should perform monthly reconciliations between the bank and the general ledger. Any discrepancies should be identified and resolved in a timely manner. Once the reconciliation is completed, it should be reviewed by someone independent of the financial recording process. Additionally, the Village should exercise greater care in posting revenue to the appropriate line item and fund. Implementation of these procedures will provide the Village’s management with accurate and timely financial information needed for decision making purposes.

**VILLAGE OF SOUTH CHARLESTON  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30312-001	Improper payments of double time wages to employees for work on Columbus Day, which was not an approved holiday per the Employee Handbook.	No	Not Corrected. Amounts were not repaid. The Village subsequently approved Columbus Day as an approved holiday for employees.
1999-30312-002	ORC 5705.41 (D) & Section 29 Village Charter - Proper Encumbrance	No	Repeated as finding 2001-30312-002.
1999-30312-003	Reportable Condition – Receipting Process	No	Included as part of finding 2001-30312-004.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF SOUTH CHARLESTON**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 7, 2002**