



**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2000	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund - For the Year Ended December 31, 2000	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 1999	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund - For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Chesapeake
Lawrence County
P.O. Box 388
Chesapeake, Ohio 45619

To the Village Council:

We have audited the accompanying financial statements of the Village of Chesapeake, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. 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 of Chesapeake, Lawrence County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2001, 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.

This report is intended solely for the information and use of management, the audit committee, the Village Council 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.

Jim Petro
Auditor of State

June 25, 2001

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VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<u>Total (Memorandum) Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Type Expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$16,053	\$11,725	\$14,018	\$	\$41,796
Intergovernmental Receipts	55,370	50,389	1,665		107,424
Fines, Licenses, Permits	116,146	845			116,991
Charges for Services		7,025			7,025
Miscellaneous	8,094	9,303			17,397
Total Cash Receipts	<u>195,663</u>	<u>79,287</u>	<u>15,683</u>	<u>0</u>	<u>290,633</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	129,272	32,359			161,631
Basic Utility Services	4,608	16,068			20,676
Transportation	160				160
General Government	58,918	15,598			74,516
Debt Service:					
Principal Payments	9,407		2,912		12,319
Interest Payments	1,018		5,999		7,017
Capital Outlay	3,239	199,975			203,214
Total Cash Disbursements	<u>206,622</u>	<u>264,000</u>	<u>8,911</u>	<u>0</u>	<u>479,533</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,959)</u>	<u>(184,713)</u>	<u>6,772</u>	<u>0</u>	<u>(188,900)</u>
Other Financing Sources/(Uses):					
Proceeds of Notes		180,078			180,078
Sale of Assets	10,000				10,000
Transfers-In		11,500	10,000		21,500
Transfers-Out	(21,500)				(21,500)
Total Other Financing Sources/(Uses)	<u>(11,500)</u>	<u>191,578</u>	<u>10,000</u>	<u>0</u>	<u>190,078</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>(22,459)</u>	<u>6,865</u>	<u>16,772</u>	<u>0</u>	<u>1,178</u>
Fund Cash Balances, January 1	<u>46,138</u>	<u>31,603</u>	<u>0</u>	<u>1,000</u>	<u>78,741</u>
Fund Cash Balances, December 31	<u>\$23,679</u>	<u>\$38,468</u>	<u>\$16,772</u>	<u>\$1,000</u>	<u>\$79,919</u>
Reserves for Encumbrances, December 31	<u>\$150</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$150</u>

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

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$134,640</u>
Total Non-Operating Cash Receipts	<u>134,640</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>133,710</u>
Total Non-Operating Cash Disbursements	<u>133,710</u>
Net Excess of Cash Receipts Over/(Under) Cash Disbursements	930
Fund Cash Balance, January 1	<u>2,281</u>
Fund Cash Balance, December 31	<u><u>\$3,211</u></u>

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

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$18,083	\$13,128	\$	\$31,211
Intergovernmental Receipts	54,925	68,236		123,161
Charges for Services		5,908		5,908
Fines, Licenses, Permits	138,373	2,358		140,731
Miscellaneous	8,676	489		9,165
Total Cash Receipts	<u>220,057</u>	<u>90,119</u>	<u>0</u>	<u>310,176</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	75,162	37,231		112,393
Basic Utility Services	4,643	8,363		13,006
General Government	81,264	57,604		138,868
Debt Service:				
Principal payments	8,825			8,825
Interest payments	1,291			1,291
Capital Outlay	11,924	44,477		56,401
Total Cash Disbursements	<u>183,109</u>	<u>147,675</u>	<u>0</u>	<u>330,784</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>36,948</u>	<u>(57,556)</u>	<u>0</u>	<u>(20,608)</u>
Other Financing Sources/(Uses):				
Transfers-In		43,798		43,798
Transfers-Out	(43,798)			(43,798)
Total Other Financing Sources/(Uses)	<u>(43,798)</u>	<u>43,798</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	(6,850)	(13,758)	0	(20,608)
Fund Cash Balances, January 1	<u>52,988</u>	<u>45,361</u>	<u>1,000</u>	<u>99,349</u>
Fund Cash Balances, December 31	<u>\$46,138</u>	<u>\$31,603</u>	<u>\$1,000</u>	<u>\$78,741</u>
Reserves for encumbrances, December 31	<u>\$3,173</u>	<u>\$664</u>	<u>\$0</u>	<u>\$3,837</u>

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

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$150,426</u>
Total Non-Operating Cash Receipts	<u>150,426</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>151,744</u>
Total Non-Operating Cash Disbursements	<u>151,744</u>
Net Excess of Cash Receipts Over/(Under) Cash Disbursements	(1,318)
Fund Cash Balance, January 1	<u>3,599</u>
Fund Cash Balance, December 31	<u><u>\$2,281</u></u>

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

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chesapeake, Lawrence 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. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including maintenance of roads and police protection.

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

Cash accounts are valued at cost. The Village had no investments during the audit period.

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 Funds

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 license tax money for constructing, maintaining and repairing Village streets.

Highway Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Village highways.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness. The Village had the following significant Debt Service Fund:

Fire Levy Fund - This fund receives tax levy money for payment toward the new fire truck purchased by the Village and utilized by the local fire department.

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 non-expendable 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:

Deposit Fund - This Expendable Trust Fund includes monies received and held for potential damage from excavation by the gas company.

Agency Fund - The Village used this fund to account for the activities of the Village's Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$ 83,130</u>	<u>\$ 81,022</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 209,536	\$ 205,663	\$ (3,873)
Special Revenue	83,126	270,865	187,739
Debt Service	25,560	25,683	123
Expendable Trust			0
Total	<u>\$ 318,222</u>	<u>\$ 502,211</u>	<u>\$ 183,989</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 255,674	\$ 228,272	\$ 27,402
Special Revenue	112,737	264,000	(151,263)
Debt Service	25,560	8,911	16,649
Expendable Trust	1,000		1,000
Total	<u>\$ 394,971</u>	<u>\$ 501,183</u>	<u>\$ (106,212)</u>

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 194,822	\$ 220,057	\$ 25,235
Special Revenue	88,081	133,917	45,836
Expendable Trust			0
Total	\$ 282,903	\$ 353,974	\$ 71,071

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 247,810	\$ 230,080	\$ 17,730
Special Revenue	133,440	148,339	(14,899)
Expendable Trust	1,000		1,000
Total	\$ 382,250	\$ 378,419	\$ 3,831

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. NOTE DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
City National Bank	<u>\$177,165</u>	5.75%

The City National Bank loan relates to the purchase of a new fire truck purchased in 2000. The loan will be repaid in monthly installments of \$1,273, including interest, over 20 years, from the Fire Levy Fund. The loan is collateralized by the fire truck.

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

Year ending December 31:	City National Bank
2001	\$ 15,276
2002	15,276
2003	15,276
2004	15,276
2005	15,276
Subsequent	216,340
Total	\$ 292,720

6. LEASE

The Village entered into a lease for two police cruisers. The \$10,886 lease obtained in 1999 is being paid from the General Fund. The lease is secured by the police cruisers.

The following is a schedule by year of future minimum lease payments together with the related present values:

Year ending December 31:	Police Cruisers
2001	\$10,425
2002	869
Net Minimum Lease Payments	\$11,294
Interest	408
Present Value of Net Minimum Lease Payments	\$ 10,886

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. Effective July 1, 2000 the employers' contribution rate decreased to 8.13% of the participants' gross salaries. The Village has paid all contributions through December 31, 2000.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- General Liability and casualty
- Public official's liability
- Vehicle

9. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Village of Chesapeake
Lawrence County
P.O. Box 388
Chesapeake, Ohio 45619

To the Village Council:

We have audited the accompanying financial statements of the Village of Chesapeake, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 25, 2001. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 25, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 25, 2001.

Village of Chesapeake
Lawrence County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

June 25, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF CHESAPEAKE

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2001**