



**Auditor of State
Betty Montgomery**

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 18, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

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Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 18, 2005

**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, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$19,996	\$27,168	\$0	\$47,164
Intergovernmental Receipts	44,497	253,282		297,779
Charges for Services		4,733		4,733
Fines, Licenses, and Permits	169,394	1,315		170,709
Earnings on Investments	2,845	1,167		4,012
Miscellaneous	1,796	5,402		7,198
	<u>238,528</u>	<u>293,067</u>	<u>0</u>	<u>531,595</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	128,562	30,759		159,321
Basic Utility Services		5,137		5,137
General Government	66,445	32,410		98,855
Debt Service:				
Principal Payments	14,508	6,207		20,715
Interest Payments	1,964	9,069		11,033
Capital Outlay	11,760	219,932		231,692
	<u>223,239</u>	<u>303,514</u>	<u>0</u>	<u>526,753</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,289</u>	<u>(10,447)</u>	<u>0</u>	<u>4,842</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		7,804		7,804
Transfers-Out	(7,098)	(706)		(7,804)
Insurance Reimbursement		11,780		11,780
	<u>(7,098)</u>	<u>18,878</u>	<u>0</u>	<u>11,780</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	8,191	8,431	0	16,622
Fund Cash Balances, January 1	<u>37,150</u>	<u>84,852</u>	<u>1,000</u>	<u>123,002</u>
Fund Cash Balances, December 31	<u>\$45,341</u>	<u>\$93,283</u>	<u>\$1,000</u>	<u>\$139,624</u>
Reserves for Encumbrances, December 31	<u>\$3,517</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,517</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
CHANGE IN FUND CASH FUND BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$182,367</u>
Total Non-Operating Cash Receipts	<u>182,367</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>180,462</u>
Total Non-Operating Cash Disbursements	<u>180,462</u>
Excess of Receipts Over Disbursements	<u>1,905</u>
Fund Cash Balance, January 1	<u>3,930</u>
Fund Cash Balance, December 31	<u><u>\$5,835</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, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$19,461	\$29,604	\$0	\$49,065
Intergovernmental Receipts	51,215	63,935		115,150
Charges for Services		2,616		2,616
Fines, Licenses, and Permits	147,249	2,604		149,853
Earnings on Investments	2,700	1,040		3,740
Miscellaneous	271	2,302		2,573
	<u>220,896</u>	<u>102,101</u>	<u>0</u>	<u>322,997</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	117,681	27,750		145,431
Leisure Time Activities		2,339		2,339
Basic Utility Services		4,878		4,878
General Government	73,060	34,567		107,627
Debt Service:				
Principal Payments	9,392	5,861		15,253
Interest Payments	1,589	9,415		11,004
Capital Outlay	1,874	21,015		22,889
	<u>203,596</u>	<u>105,825</u>	<u>0</u>	<u>309,421</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>17,300</u>	<u>(3,724)</u>	<u>0</u>	<u>13,576</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		33,255		33,255
Transfers-Out	(21,000)	(12,255)		(33,255)
	<u>(21,000)</u>	<u>21,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,700)	17,276	0	13,576
Fund Cash Balances, January 1	40,850	67,576	1,000	109,426
Fund Cash Balances, December 31	<u>\$37,150</u>	<u>\$84,852</u>	<u>\$1,000</u>	<u>\$123,002</u>
Reserves for Encumbrances, December 31	<u>\$337</u>	<u>\$0</u>	<u>\$0</u>	<u>\$337</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
CHANGE IN FUND CASH FUND BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$154,112</u>
Total Non-Operating Cash Receipts	<u>154,112</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>156,067</u>
Total Non-Operating Cash Disbursements	<u>156,067</u>
Excess of Receipts (Under) Disbursements	<u>(1,955)</u>
Fund Cash Balance, January 1	<u>5,885</u>
Fund Cash Balance, December 31	<u><u>\$3,930</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chesapeake, Lawrence County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including park operations, maintenance of roads and police services. The Village contracts with Chesapeake Union Township Volunteer Fire Department to receive fire protection 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash

Cash accounts are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds 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.

Federal Emergency Management Agency (FEMA) Fund - This fund receives federal and state funding for the repair of a road caused by storm damage.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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:

Deposit Fund - This expendable trust fund includes monies received and held for potential damage from excavation by the gas company.

Agency Fund - This fund is used 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 fund, function or object level of control, and appropriations may not exceed estimated resources. Village 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 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$ 145,459	\$ 126,932
Total deposits	\$ 145,459	\$ 126,932

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$209,203	\$238,528	\$29,325
Special Revenue	281,592	312,651	31,059
Expendable Trust	0	0	0
Total	\$490,795	\$551,179	\$60,384

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$246,353	\$233,854	\$12,499
Special Revenue	366,444	304,220	62,224
Expendable Trust	1,000	0	1,000
Total	<u>\$613,797</u>	<u>\$538,074</u>	<u>\$75,723</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,944	\$220,896	\$19,952
Special Revenue	100,390	135,356	34,966
Expendable Trust	0	0	0
Total	<u>\$301,334</u>	<u>\$356,252</u>	<u>\$54,918</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,796	\$224,933	\$16,863
Special Revenue	167,963	118,080	49,883
Expendable Trust	1,000	0	1,000
Total	<u>\$410,759</u>	<u>\$343,013</u>	<u>\$67,746</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
City National Bank Loan	\$154,338	5.75%
Total	\$154,338	

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 \$1,273.02, including interest, for the next 4 months, and then a balloon payment could be paid of \$152,189 to pay off the debt. The loan was set up for 5 years; however, at the end of the 5 years the bank will reassess the loan and, if payments are being made properly, they will extend it over a 20 year period. The bank reassessed the loan for a 20 year period in May 2005. 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
2005	\$157,281
Total	\$157,281

6. LEASE

The lease outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Lease	\$20,940	6.80%
Total	\$20,940	

The lease with Ford Motor Credit Company relates to the lease-purchase agreement for two police cruisers, leased on May 19, 2003. The lease will be paid in monthly installments of \$1,372.64, including interest, for 15 months, with the final payment of \$1,373.19.

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

Year ending December 31:	Ford Motor Credit Company
2005	\$16,472
2006	5,491
Total	\$21,963

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the Village of Chesapeake, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 18, 2005 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated August 18, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of Chesapeake
Lawrence County
Independent Accountants' Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 18, 2005

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code Section 2949.091 states that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during the month shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer of State into the General Revenue Fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased, so it did not raise the court fee until mid February 2004.

From September 26, 2003 to December 31, 2004, the Mayor's Court issued 350 tickets for which it only collected and paid to the Treasurer of the State of Ohio the \$11 fee. Based on this, the Mayor's Court should have collected an additional \$1,400 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund.

In accordance to the foregoing facts and pursuant to the Ohio Revised Code Section 117.28, we hereby issue a Finding for Recovery for the public monies due but not collected against Mayor Jimmie Justice and Western Surety Company, jointly and severally, in the amount of \$1,400 and in favor of the State of Ohio, General Fund.

The finding was paid by the Village of Chesapeake from its General Fund on July 18, 2005 on check number 1302 for \$1,400.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. 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. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-002
(Continued)**

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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 by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

Thirty-four percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend that no orders involving the expenditure of money be made unless the Village Clerk has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.



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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
SEPTEMBER 20, 2005**