



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015  
Fiscal Years Audited Under GAGAS: 2016 and 2015





# Dave Yost • Auditor of State

Village Council  
Village of Chesapeake  
P.O. Box 388  
Chesapeake, Ohio 45619

We have reviewed the *Independent Auditor's Report* of the Village of Chesapeake, Lawrence County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 1, 2017

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**Village of Chesapeake**  
**Lawrence County, Ohio**  
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*For the Fiscal Years Ended 2016 and 2015*

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## **Independent Auditor's Report**

Village of Chesapeake  
Lawrence County  
PO Box 388  
Chesapeake, Ohio 45619

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balance, receipts, and disbursements by fund type and related notes of the Village of Chesapeake, Lawrence County, (the Village), as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Chesapeake, Lawrence County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Piketon, Ohio  
June 30, 2017



**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 22,183	\$ 32,320	\$ 54,503
Intergovernmental	28,273	47,678	75,951
Fines, Licenses, and Permits	141,278	2,370	143,648
Earnings on Investments	16	128	144
Miscellaneous	<u>21,222</u>	<u>11,271</u>	<u>32,493</u>
Total Cash Receipts	<u>212,972</u>	<u>93,767</u>	<u>306,739</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	94,726	18,153	112,879
Public Health Service	-	5,042	5,042
Leisure Time Activities	-	1,448	1,448
Transportation	-	56,088	56,088
General Government	92,311	525	92,836
Capital Outlay	-	4,725	4,725
Debt Service:			
Principal Retirement	-	16,066	16,066
Interest and Fiscal Charges	<u>-</u>	<u>1,910</u>	<u>1,910</u>
Total Cash Disbursements	<u>187,037</u>	<u>103,957</u>	<u>290,994</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	25,935	(10,190)	15,745
<b>Other Financing Receipts (Disbursements):</b>			
Transfers-In	-	3,000	3,000
Transfers-Out	(3,000)	-	(3,000)
Other Sources	900	400	1,300
Other Uses	(77)	-	(77)
Total Other Financing Receipts (Disbursements)	<u>(2,177)</u>	<u>3,400</u>	<u>1,223</u>
<i>Net Change in Fund Cash Balances</i>	23,758	(6,790)	16,968
Fund Cash Balances, January 1	<u>3,669</u>	<u>82,179</u>	<u>85,848</u>
Restricted	-	75,389	75,389
Unassigned	<u>27,427</u>	<u>-</u>	<u>27,427</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 27,427</u>	<u>\$ 75,389</u>	<u>\$ 102,816</u>

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

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Agency</b>	<b>Private Purpose Trust</b>
<b>Non-Operating Cash Receipts/Disbursements</b>		
Other Non-operating Receipts Other	\$ 164,604	\$ -
Non-operating Disbursements	224,968	-
Net Cash Receipts Over/(Under) Cash Disbursements	(60,364)	-
Fund Cash Balances, January 1	63,808	1,000
<b>Fund Cash Balances, December 31</b>	<b>\$ 3,444</b>	<b>\$ 1,000</b>

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

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 19,963	\$ 25,053	\$ 45,016
Intergovernmental	26,276	61,101	87,377
Fines, Licenses, and Permits	147,302	2,313	149,615
Earnings on Investments	34	12	46
Miscellaneous	1,039	14,867	15,906
	<u>194,614</u>	<u>103,346</u>	<u>297,960</u>
Total Cash Receipts			
	<u>194,614</u>	<u>103,346</u>	<u>297,960</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	112,222	21,481	133,703
Leisure Time Activities	-	1,819	1,819
Transportation	-	53,852	53,852
General Government	83,691	1,604	85,295
Capital Outlay	-	1,008	1,008
Debt Service:			
Redemption of Principal	-	15,749	15,749
Interest and Fiscal Charges	-	2,578	2,578
	<u>195,913</u>	<u>98,091</u>	<u>294,004</u>
Total Cash Disbursements			
	<u>195,913</u>	<u>98,091</u>	<u>294,004</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,299)	5,255	3,956
<b>Other Financing Receipts (Disbursements):</b>			
Other Sources	-	320	320
Other Uses	(665)	-	(665)
	<u>(665)</u>	<u>320</u>	<u>(345)</u>
Total Other Financing Receipts (Disbursements)			
	<u>(665)</u>	<u>320</u>	<u>(345)</u>
<i>Net Change in Fund Cash Balances</i>	(1,964)	5,575	3,611
Fund Cash Balances, January 1	<u>5,633</u>	<u>76,604</u>	<u>82,237</u>
Restricted	-	82,179	82,179
Unassigned	3,669	-	3,669
	<u>3,669</u>	<u>-</u>	<u>3,669</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 3,669</u>	<u>\$ 82,179</u>	<u>\$ 85,848</u>

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

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Agency</b>	<b>Private Purpose Trust</b>
<b>Non-Operating Cash Receipts/Disbursements</b>		
Other Non-operating Receipts Other	\$ 172,235	\$ -
Non-operating Disbursements	156,908	-
Net Cash Receipts Over/(Under) Cash Disbursements	15,327	-
Fund Cash Balances, January 1	48,481	1,000
<b>Fund Cash Balances, December 31</b>	<b>\$ 63,808</b>	<b>\$ 1,000</b>

*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, 2016 AND 2015**

**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 directs the Village. The Village provides general governmental services, including maintenance of roads and police services.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. Cash Deposits**

The Village has one primary interest bearing checking account and no investments

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

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

Fire Levy Fund – This fund receives property tax money to provide fire protection for the Village residents.

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. Summary of Significant Accounting Policies (Continued)**

**4. Fiduciary Funds (Agency Fund)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for 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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. 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.

**H. 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 Deposits**

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

	2016	2015
Demand deposits	\$103,816	\$86,848
Mayors Court	3,444	63,808
Total deposits	107,260	150,656

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and December 31, 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$221,265	\$213,872	(\$7,393)
Special Revenue	93,645	97,167	3,522
Total	<u>\$314,910</u>	<u>\$311,039</u>	<u>(\$3,871)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,080	\$190,114	\$34,966
Special Revenue	172,376	103,957	68,419
Total	<u>\$397,456</u>	<u>\$294,071</u>	<u>\$103,385</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$244,515	\$194,614	(\$49,901)
Special Revenue	90,732	103,666	12,934
Total	<u>\$335,247</u>	<u>\$298,280</u>	<u>(\$36,967)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,594	\$196,578	\$54,016
Special Revenue	166,853	98,091	68,762
Total	<u>\$417,447</u>	<u>\$294,669</u>	<u>\$122,778</u>



**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**4. Property Tax**

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

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. Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
City National Bank Loan	\$43,467	4%
OPWC Loan CU05I	\$30,000	0%
OPWC Loan CT54K	\$9,912	0%
Lawrence County Commissioners Note	11,150	6%
Total	\$94,529	

The City National Bank Loan relates to the purchase of a new fire truck purchased in 2000. The original loan was in the amount of \$180,078 for a period of five years to be paid in 59 regular monthly installments of \$1,273 and a final payment estimated at \$153,732. The loan was renewed in 2005 in an amount of \$151,732 for a period of five years to be paid in 59 regular monthly installments of \$1,127 and a final payment estimated at 112,099. In 2010, the loan was renewed in an amount of 111,340 for a period of five years to be paid in 59 regular monthly installments of \$1,131 and a final estimated payment of \$62,403. On May 24, 2015 the loan was renewed in an amount of \$61,117 for a period of five years at a fixed rate of 4% to be paid in 59 regular payments of \$1,126, including interest, and a final estimated payment of \$1,242, including interest. The loan is collateralized by the fire truck and associated equipment.

OPWC Loan CU05I was for repair of a landslide and is payable in semi-annual installments of \$1,250 over a period of 20 years. OPWC loan CT54K was also for the repair of a landslide and is payable in semi-annual installments of \$381 over a period of 20 years. These loans originated in 2008.

The Lawrence County Commissioners Note's purpose is to finance the 10% local portion of an OPWC grant project for repair work on North Huntington Heights. The annual obligation is one payment of \$5,112, including interest. Lawrence County has agreed to pay for half of this original obligation each year in the amount of \$2,556. The annual obligation for the Village is one payment of \$2,556, including interest. Principal and interest payments are being made from the Street Construction, Maintenance and Repair Fund.

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**5. Debt (Continued)**

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

Year ending December 31:	City National			Lawrence County
	Bank Loan	OPWC CU051	OPWC CT54K	Commissioners Note
2017	\$13,507	\$2,500	\$762	\$2,556
2018	13,507	2,500	762	2,556
2019	13,507	2,500	762	2,556
2020	5,603	2,500	762	2,556
2021	0	2,500	762	2,556
2022-2026	0	12,500	3,810	0
2027-2031	0	5,000	1,905	0
Total	<u>\$46,124</u>	<u>\$30,000</u>	<u>\$9,525</u>	<u>\$12,780</u>

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**7. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	(13,396,700)	(12,759,127)
Net Position	<u>\$28,785,581</u>	<u>\$25,548,550</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$6,738.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u>	<u>2015 Contributions to PEP</u>
\$10,696	\$12,255

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards***

Village of Chesapeake  
Lawrence County  
PO Box 388  
Chesapeake, Ohio 45619

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type the Village of Chesapeake, Lawrence County, (the Village) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated June 30, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weaknesses. We consider finding 2016-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control testing and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

BHM CPA Group, Inc.  
Piketon, Ohio  
June 30, 2017

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY  
DECEMBER 31, 2016 AND 2015  
SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2016-001**

**Material Weakness**

Accurate financial reporting is an important part of the Village's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The Village failed to properly record the Mayors Court activity in the financial statements for either year under audit. Furthermore, they recorded the Private Purpose Trust fund as an agency fund in the UAN system for both years causing the beginning fund balances not to agree with the prior year audit report. Audit adjustments were required to properly record the activity of each fund and to correct the beginning fund balances. The audited financial statements have been adjusted for the misstatements noted above.

The aforementioned errors were the result of a lack of internal controls of financial reporting. This lack of internal control over financial reporting exists primarily due to the recent implementation of accounting software at the Village.

The presentation of materially incorrect financial statements is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Council, which they may use to facilitate Village decisions.

The Village should implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

**Client Response:** We didn't receive a response to the above finding.

**VILLAGE OF CHESAPEAKE  
LAWRENCE COUNTY  
DECEMBER 31, 2016 AND 2015**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2014-001	Non-compliance – ORC 2949.091(A)(1)	Yes	
2014-002	Non-compliance ORC 5705.41(D)(1)	Yes	
2014-003	Material Weakness – Sound financial reporting	No	Reissued as Finding 2016-001
2014-004	Significant Deficiency – monthly reconciliations	Yes	





# Dave Yost • Auditor of State

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  
NOVEMBER 14, 2017