



**Auditor of State
Betty Montgomery**

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental And Similar Fiduciary Fund Type – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund – For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental And Similar Fiduciary Fund Type – For the Year Ended December 31, 2001.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund – For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13

This page intentionally left blank.



**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, 2002 and 2001. 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 reserve for encumbrances of the Village of Chesapeake, Lawrence County, as of December 31, 2002 and 2001, 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 April 16, 2003 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 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.

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

Betty Montgomery
Auditor of State

April 16, 2003

**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, 2002**

	<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	\$19,694	\$30,047	\$	\$49,741
Intergovernmental Receipts	40,945	47,052		87,997
Charges for Services		5,690		5,690
Fines, Licenses, and Permits	129,510	3,218		132,728
Earnings on Investments	2,069	985		3,054
Donations		5,493		5,493
Miscellaneous	6,626	4,974		11,600
	<u>198,844</u>	<u>97,459</u>	<u>0</u>	<u>296,303</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	117,924	15,324		133,248
Leisure Time Activities		1,397		1,397
Community Environment		235		235
Transportation		40,919		40,919
General Government	70,452			70,452
Debt Service:				
Principal Payments	864	5,534		6,398
Interest and Fiscal Charges Payments	5	9,742		9,747
Capital Outlay	2,703	27,391		30,094
	<u>191,948</u>	<u>100,542</u>	<u>0</u>	<u>292,490</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,896</u>	<u>(3,083)</u>	<u>0</u>	<u>3,813</u>
Other Financing Sources/(Uses):				
Transfers-In		8,127		8,127
Advances-In		2,500		2,500
Transfers-Out	(5,000)	(3,127)		(8,127)
Advances-Out	(2,500)			(2,500)
	<u>(7,500)</u>	<u>7,500</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(604)	4,417	0	3,813
Fund Cash Balances, January 1	41,454	63,159	1,000	105,613
Fund Cash Balances, December 31	<u>\$40,850</u>	<u>\$67,576</u>	<u>\$1,000</u>	<u>\$109,426</u>
Reserves for Encumbrances, December 31	<u>\$202</u>			<u>\$202</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, 2002

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$138,910</u>
Total Non-Operating Cash Receipts	<u>138,910</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>135,813</u>
Total Non-Operating Cash Disbursements	<u>135,813</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	3,097
Fund Cash Balance, January 1	<u>2,788</u>
Fund Cash Balance, December 31	<u><u>\$5,885</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, 2001**

	<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	\$16,414	\$26,276	\$	\$42,690
Intergovernmental Receipts	59,047	81,591		140,638
Charges for Services		7,300		7,300
Fines, Licenses, and Permits	137,450	2,198		139,648
Earnings on Investments	1,493	752		2,245
Donations		8,541		8,541
Miscellaneous	7,551			7,551
	<u>221,955</u>	<u>126,658</u>	<u>0</u>	<u>348,613</u>
Total Cash Receipts				
	<u>221,955</u>	<u>126,658</u>	<u>0</u>	<u>348,613</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	120,261	14,880		135,141
Leisure Time Activities		2,108		2,108
Transportation		41,543		41,543
General Government	74,229	2,000		76,229
Debt Service:				0
Principal Payments	10,022	5,225		15,247
Interest Payments	403	10,051		10,454
Capital Outlay		42,197		42,197
	<u>204,915</u>	<u>118,004</u>	<u>0</u>	<u>322,919</u>
Total Cash Disbursements				
	<u>204,915</u>	<u>118,004</u>	<u>0</u>	<u>322,919</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>17,040</u>	<u>8,654</u>	<u>0</u>	<u>25,694</u>
Other Financing Sources/(Uses):				
Transfers-In	735			735
Transfers-Out		(735)		(735)
	<u>735</u>	<u>(735)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources/(Uses)				
	<u>735</u>	<u>(735)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	17,775	7,919	0	25,694
Fund Cash Balances, January 1, Restated - See Note 9	23,679	55,240	1,000	79,919
Fund Cash Balances, December 31	<u>\$41,454</u>	<u>\$63,159</u>	<u>\$1,000</u>	<u>\$105,613</u>
Reserves for Encumbrances, December 31	<u>\$935</u>			<u>\$935</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 BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$143,572</u>
Total Non-Operating Cash Receipts	<u>143,572</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>143,995</u>
Total Non-Operating Cash Disbursements	<u>143,995</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(423)
Fund Cash Balance, January 1	<u>3,211</u>
Fund Cash Balance, December 31	<u><u>\$2,788</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, 2002 AND 2001**

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, fire protection, 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

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 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 money for constructing, maintaining and repairing Village streets.

Park Fund -This fund receives donations and grant monies to fund construction of the Park.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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:

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. 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 balances 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 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 statement.

2. EQUITY IN POOLED CASH

The Village maintains a cash 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:

	2002	2001
Demand deposits	\$115,311	\$108,401

Deposits: Deposits are either 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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,124	\$198,844	\$16,720
Special Revenue	86,697	108,086	21,389
Expendable Trust			0
Total	\$268,821	\$306,930	\$38,109

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$223,580	\$199,650	\$23,930
Special Revenue	149,854	103,669	46,185
Expendable Trust	1,000		1,000
Total	\$374,434	\$303,319	\$71,115

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$199,525	\$222,690	\$23,165
Special Revenue	110,595	126,658	16,063
Expendable Trust			0
Total	\$310,120	\$349,348	\$39,228

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$223,205	\$205,850	\$17,355
Special Revenue	165,836	118,739	47,097
Expendable Trust	1,000		1,000
Total	\$390,041	\$324,589	\$65,452

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 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.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Note	\$166,405	5.75%
Total	\$166,405	

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 2 years and 4 months, 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 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
2003	\$ 15,276
2004	15,276
2005	157,281
Total	\$ 187,833

6. 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 2002 and 2001, 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. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. SUBSEQUENT EVENT

The Village entered into a 48 month lease agreement to purchase two police cruisers from Philpot Motors. The total cost of the purchase equaled \$35,660 and the Village will receive \$5,470 as a trade in for the old cruisers. The lease payment is to be \$494.65/month for each cruiser.

9. RESTATEMENT OF FUND BALANCE

In fiscal year 2000, the Village showed a debt service fund on their financial statements. This fund was the fire truck levy fund. However, after review of the tax levy that was passed, it was noted that the proper classification should be a special revenue fund type. The effect of this change is as follows:

	<u>Debt Service</u>	<u>Special Revenue</u>
Beginning fund balance, January 1, 2001	\$16,772	\$38,468
Adjustment	<u>(16,772)</u>	<u>16,772</u>
Adjusted beginning fund balance, January 1, 2001	<u>\$0</u>	<u>\$55,240</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002 and 2001, and have issued our report thereon dated April 16, 2003. 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 certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 16, 2003.

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. 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 April 16, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by 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

April 16, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILAGE 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
MAY 20, 2003**