



Mary Taylor, CPA
Auditor of State

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

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 an 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 adverse 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.

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Mary Taylor, CPA
Auditor of State

June 27, 2007

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Mary Taylor, CPA

Auditor of State

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, 2006 and 2005. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 27, 2007, 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.



Mary Taylor, CPA
Auditor of State

June 27, 2007

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$17,012	\$23,705	\$	\$40,717
Intergovernmental Receipts	39,861	55,949	2,700	98,510
Fines, Licenses, and Permits	151,293	3,474		154,767
Earnings on Investments	5,794	1,196		6,990
Miscellaneous	1,249	1,215		2,464
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	215,209	85,539	2,700	303,448
Cash Disbursements:				
Current:				
Security of Persons and Property	122,875			122,875
Basic Utility Services		5,092		5,092
Transportation		44,006		44,006
General Government	64,603	15,175		79,778
Debt Service:				
Principal Payments	11,482	7,782		19,264
Interest Payments	1,553	5,743		7,296
Capital Outlay	6,950	3,510	2,700	13,160
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	207,463	81,308	2,700	291,471
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	7,746	4,231	0	11,977
Other Financing Receipts:				
Sale of Assets	10,500			10,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	10,500	0	0	10,500
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	18,246	4,231	0	22,477
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	36,482	97,636	0	134,118
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$54,728	\$101,867	\$0	\$156,595
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$1,952	\$624	\$0	\$2,576

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 BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$157,829</u>
Total Non-Operating Cash Receipts	<u>157,829</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>158,710</u>
Total Non-Operating Cash Disbursements	<u>158,710</u>
Net Receipts Over/(Under) Disbursements	(881)
Fund Cash Balances, January 1	<u>5,184</u>
Fund Cash Balances, December 31	<u><u>\$4,303</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$17,997	\$26,063	\$	\$44,060
Intergovernmental Receipts	47,160	55,169	35,225	137,554
Charges for Services		8,195		8,195
Fines, Licenses, and Permits	155,040	1,679		156,719
Earnings on Investments	3,423	874		4,297
Miscellaneous	1,485	1,104		2,589
	<u>225,105</u>	<u>93,084</u>	<u>35,225</u>	<u>353,414</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	130,261			130,261
Basic Utility Services		2,200		2,200
Transportation		46,282		46,282
General Government	80,242	18,460		98,702
Debt Service:				
Principal Payments	15,526	158,751		174,277
Interest Payments and Financing Charges	946	7,796		8,742
Capital Outlay	7,989	6,974	35,225	50,188
	<u>234,964</u>	<u>240,463</u>	<u>35,225</u>	<u>510,652</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,859)</u>	<u>(147,379)</u>	<u>0</u>	<u>(157,238)</u>
Other Financing Receipts/(Disbursements):				
Sale of Notes		151,732		151,732
Transfers-In	1,000			1,000
Transfers-Out		(1,000)		(1,000)
	<u>1,000</u>	<u>150,732</u>	<u>0</u>	<u>151,732</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under)Cash Disbursements and Other Financing Disbursements	(8,859)	3,353	0	(5,506)
Fund Cash Balances, January 1 - Restated	<u>45,341</u>	<u>94,283</u>	<u>0</u>	<u>139,624</u>
Fund Cash Balances, December 31	<u>\$36,482</u>	<u>\$97,636</u>	<u>\$0</u>	<u>\$134,118</u>
Reserves for Encumbrances, December 31	<u>\$520</u>	<u>\$0</u>	<u>\$0</u>	<u>\$520</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 BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$165,845</u>
Total Non-Operating Cash Receipts	<u>165,845</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>166,496</u>
Total Non-Operating Cash Disbursements	<u>166,496</u>
Net Receipts Over/(Under) Disbursements	(651)
Fund Cash Balances, January 1	<u>5,835</u>
Fund Cash Balance, December 31	<u><u>\$5,184</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, 2006 AND 2005**

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 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. Accounting Basis

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. The Village 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 Auditor of State prescribes or permits.

C. Cash

Cash accounts are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Fire 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, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Ohio Public Works Commission Fund – This fund is used to reflect Ohio Public Works Commission projects performed on behalf of the Village.

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. 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. The Village did not encumber all commitments required by Ohio law.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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. Restatement of Beginning Fund Balances

The January 1, 2005 balances were restated since the Expendable Trust Fund was moved to a Special Revenue Fund due to changes in fund classifications as follows:

Fund Type	12/31/04 Balance	Restated 1/1/05 Balance	Restatement
Special Revenue	\$93,283	\$94,283	\$1,000
Exendable Trust	\$1,000	\$0	(\$1,000)

3. Equity in Pooled Cash

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

	2006	2005
Demand deposits	\$160,898	\$139,302
Total deposits	\$160,898	\$139,302

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

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$176,024	\$225,709	\$49,685
Special Revenue	80,294	85,539	5,245
Capital Projects	0	2,700	2,700
Total	\$256,318	\$313,948	\$57,630

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,757	\$209,415	(\$8,658)
Special Revenue	177,930	81,932	95,998
Capital Projects	0	2,700	(2,700)
Total	\$378,687	\$294,047	\$84,640

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$202,203	\$226,105	\$23,902
Special Revenue	74,891	244,816	169,925
Capital Projects	35,225	35,225	0
Total	\$312,319	\$506,146	\$193,827

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$251,061	\$235,484	\$15,577
Special Revenue	169,174	240,463	(71,289)
Capital Projects	35,225	35,225	0
Total	\$455,460	\$511,172	(\$55,712)

Contrary to Ohio law, the Village did not always encumber funds prior to incurring the obligation.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. 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.

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.

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
City National Bank Loan	\$139,718	4%
Total	\$139,718	

The City National Bank Loan relates to the purchase of a new fire truck, purchased in 2000. The loan was repaid in monthly installments of \$1,273.03, including interest, for 4 months of 2005, and then the Village obtained a new City National Bank Loan on May 24, 2005 to make a balloon payment in the amount of \$151,732.41 to pay off the old debt. The loan will be repaid in monthly installments of \$1,127.08, including interest, over a period of 59 months and then a balloon payment could be made in the amount of \$112,098.95 to pay off the debt. The loan was set up for 5 years; however, at the end of 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:

	City National Bank Loan
Year ending December 31:	
2007	\$13,525
2008	13,525
2009	13,525
2010	116,607
Total	\$157,182

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Lease

The lease outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Lease	\$59,827	5.65%
Total	\$59,827	

A new lease for two Police cruisers was obtained in July, 2006 with Daimler Chrysler in monthly installments of \$1,257.26, including interest for 5 years.

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

	Daimler Chrysler Financial
Year ending December 31:	
2007	\$15,087
2008	15,087
2009	15,087
2010	15,087
2011	7,544
Total	\$67,892

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



Mary Taylor, CPA

Auditor of State

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, 2006 and 2005, and have issued our report thereon dated June 27, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated June 27, 2007.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 27, 2007

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Noncompliance

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.

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 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. 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-eight percent of the transactions tested in 2005 and thirty-five percent of the transactions tested in 2006 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.

VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-001 (Continued)

Material Noncompliance - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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.

Officials' Response:

We did not receive a response from officials to this finding.

**VILLAGE OF CHESAPEAKE
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 2949.091 – court cost finding for recovery.	Yes	
2004-002	Ohio Rev. Code Section 5705.41 (D) – failure to properly encumber	No	Not corrected – Repeated as Finding Number 2006-001



Mary Taylor, CPA
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
AUGUST 23, 2007**