RFP #23-051
Kanawha County West Virginia

Independent Auditors' Report and Related Financial Statements

For the Year Ended June 30, 2022

TOWN OF CHESAPEAKE

TOWN OF CHESAPEAKE
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For the Year Ended June 30, 2022

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TOWN OF CHESAPEAKE

Mayor - Melissa Hill

Council - David Lloyd,
Dona Lacy,
Ron Petty,
Wesley Dillard,
Katie Miller, and
Craig Smith.,

Recorder - Debbie Hill

Sanitary Board

Chair - Melissa Hill,

Board Herbert Shearer,
Robert Bowen,
Jolinda Perdue

TOWN OF CHESAPEAKE

Board Members Updated 8/14/2024

Mayor - Melissa Hill	July 1, 2023 - June 30, 2027
Council - David Lloyd,	July 1, 2023 - June 30, 2027
Dona Lacy,	July 1, 2023 - June 30, 2027
Ron Petty,	July 1, 2023 - June 30, 2027
Wesley Dillard,	July 1, 2023 - June 30, 2027
Katie Miller, and	July 1, 2023 - June 30, 2027
Craig Smith.,	July 1, 2023 - June 30, 2027
Recorder - Debbie Hill	July 1, 2024 - June 30, 2027

Sanitary Board

Chair - Melissa Hill,	7/1/2023 - 6/30/2025
Board Herbert Shearer,	7/1/2023 - 6/30/2025
Robert Bowen,	7/1/2023 - 6/30/2025
Jolinda Perdue.	7/1/2023 - 6/30/2025

TOWN OF CHESAPEAKE
Schedule of Funds
For the Year Ended June 30, 2022

Major Government Funds

General

Coal Severance

Proprietary Fund

Enterprise Fund

Sanitary

Stephen P. Glaser CPA
1021 7th Avenue
St. Albans, WV 25177

Independent Auditors' Report

Honorable Mayor and Council
Town of Chesapeake
12404 McCorkle Avenue
Chesapeake, WV 25315

Disclaimer of Opinion

We have performed auditing procedures to the accompanying financial statements in accordance with the financial reporting provisions of State Auditor's Office of West Virginia for a Class IV Municipality of the government and business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chesapeake a Class IV Municipality as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Chesapeake's basic financial statements as listed in the table of contents.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence as an independent auditor to provide a basis for an audit opinion on the financial statements of the presented Town of Chesapeake . Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion

We conduced our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chesapeake , and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We could not obtain audit evidence that is relevant and appropriate to provide a basis for an audit opinion other than disclaimed that audit opinion.

Matter Giving Rise to Disclaimer of Opinion

The financial statement of the Town of Chesapeake did not provide adequate financial records for the financial statements to be presented in accordance with State Auditor's Office of West Virginia for a Class IV Municipality by Town of Chesapeake a Class IV Municipality for the financial statements presented in this report.

The Town of Chesapeake did not provide the general ledger transaction detail in its entirety as requested for the government and coal severance tax fund for the fiscal year.

The Town of Chesapeake financial statements for the

- proprietary fund did not adequately address accounts receivable, liabilities, and capital assets activity in the financial statements.
- proprietary fund does not separate restricted from unrestricted or presented invested in capital assets in Statement of Net Position.
- government funds were not adjusted to meet the reporting requirements for financial statements thus resulting in the Statement of Assets arising from Cash Transactions and the Statement of Revenues Collected and Expenses Paid being out of balance by $26,363.
- Government funds do not present or account for America Rescue Act Funds as a separate fund in the statements to detail the financial activity, and
- multiple transactions activity was not allocated properly between funds or recorded with consistency.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with State Auditor's Office of West Virginia for a Class IV and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chesapeake 's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chesapeake 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chesapeake 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The State Auditor's Office of West Virginia requires that the budgetary comparison information be presented to supplement the basic financial statements. We would have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America if provided, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures if performed do not provide us with sufficient evidence to express an opinion or provide any assurance zas well as not being provided by the Town of Chesapeake.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2024 , on our consideration of the Town of Chesapeake '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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chesapeake 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Chesapeake 's internal control over financial reporting and compliance



Stephen P. Glaser, CPA
St. Albans, West Virginia
July 2, 2024

Town of Chesapeake a Class IV Municipality
Statement of Assets arising from Cash Transactions
FYE June 30, 2022

ASSETS	General	Coal Severance Tax	Total Government Funds
Current:			
Cash and cash equivalents	$ 738,545	$ 8,021	$ 746,566
Total cash and cash equivalents	738,545	8,021	746,566
CASH FUND BALANCES:			
Restricted	-	8,021	8,021
Unassigned	712,182	-	712,182
	$ 712,182	$ 8,021	$ 720,203

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake a Class IV Municipality
Statement of Revenues Collected and Expenses Paid
FYE June 30, 2022

REVENUE	General	Coal Severance Tax	Total Government Funds
Ad valorem property taxes	$ 104,923	$ -	$ 104,923
Business and Occupation tax	135,300	-	135,300
Utility services tax	50,289	-	50,289
Gas and oil severance tax	2,465	-	2,465
Alcoholic beverages tax	402	-	402
Coal severance tax	-	4,339	4,339
Licenses and permits	1,045	-	1,045
Federal Grants	371,927	-	371,927
Charges for services	112,360	-	112,360
Fines and forfeits	9,785	-	9,785
Gaming income	11,604	-	11,604
IRP fees	134,676	-	134,676
Viedo lottery	5,912	-	5,912
Miscellaneous	1,931	-	1,931
Total revenue	942,619	4,339	946,958
EXPENDITURES			
General government	293,285	-	293,285
Public safety	99,319	-	99,319
Street and transportation	25,254	-	25,254
Health and sanitation	110,719	-	110,719
Culture and recreation	78	-	78
Social services	-	-	-
Total expenditures	528,655	-	528,655
Net change in fund balance	413,964	4,339	418,303
Cash Fund balances, beginning	297,918	3,682	301,600
Cash Fund balances, ending	$ 711,882	$ 8,021	$ 719,903

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake
Statement of Net Position-Proprietary Fund
FYE June 30, 2022

ASSETS	
Current assets:	
Cash and cash equivalents	$ 104,847
Accounts receivable, net	228,728
Other	
Total Current assets	333,575
Capital Assets	
Non-depreciable	
Land	103,564
Depreciable Assets	
Buildings	22,782
Machinery and equipment	1,209,019
Less depreciation	(1,131,761)
Capital equipment, net	203,604
DEFERRED OUTFLOWS:	
Total deferred outflows	-
Total Assets	537,179
LIABILITIES	
Accounts payable	35,692
Accrued taxes	-
Due to other governments	-
DEFERRED INFLOWS:	
Total deferred inflows	-
Total liabilities	35,692
NET POSITION	
Invested in capital assets	-
Unrestricted	501,487
	$ 501,487

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary-Fund
FYE June 30, 2022

OPERATING REVENUES	
Charges for services	$ 453,180
Miscellaneous revenues	-
Total operating revenues	453,180
OPERATING EXPENSES	
Personal services	38,365
Contracted services	77,838
Administrative and general	1,878
Taxes	-
Miscellaneous	24,621
Purchased water	143,574
Utilities	15,198
Maintenance	58,860
Depreciation and amortization	-
Total operating expenses	360,334
Operating income (loss)	92,846
Nonoperating revenues (expenses):	
Interest income	-
Change in net position	92,846
Net position at beginning of year	408,641
Net position at end of year	$ 501,487

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake
Statement of Cash Flows – Proprietary-Fund
FYE June 30, 2022

Cash flows from operating activities:	
Cash received from customers	$ 453,180
Cash paid for goods and services	(325,416)
Cash paid to employees	(38,365)
Net cash provided (used) by operating activities	89,399
Net increase (decrease) in cash and cash equivalents	89,399
Beginning cash and equivants	15,448
Cash and equivalents, ending	$ 104,847
Reconciliation of operating Income	
Operating income (loss)	$ 92,846
Adjustments	
Decrease (increase) in accounts receivable	-
Increase (decrease) in accounts payable	(3,447)
Net cash provided by operations	$ 89,399

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Chesapeake, West Virginia, conform to the other comprehensive basis of accounting prescribed by the State Auditor's Office of West Virginia as applicable to Class IV governmental municipalities. The following is a summary of significant accounting policies:

A. Reporting Entity

The Municipality of Chesapeake is a municipal corporation governed by an elected mayor and council. The accompanying financial statements present the government 0 as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality. Based upon the above criteria, the Municipality does not have any component units.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the cash basis of accounting. Revenues are recorded when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The government reports the following governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The Coal Severance Tax fund, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

Proprietary fund financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred as required by generally accepted accounting principles for proprietary funds.

The government reports the following proprietary funds:

The Sanitary fund serves the citizens of the municipality by providing Sewer services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenue of Sanitary is/are charges to customers for services. Operating expenses include cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Deposits

The Municipality of Chesapeake, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

The Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of investments and fair values are presented in a subsequent note titled 'Deposits and Investments'.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this State if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded in the top three ratings, at the time of acquisition; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than five percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

2. Receivables and Payables

Interfund Transactions

Activity between enterprise funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" All other outstanding balances between funds are reported as "due to/from other funds."

Trade Receivables

The government periodically analyzes delinquent accounts and uses the direct write-off method.

Property Tax Revenue

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first.

Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid.

All municipalities within the State are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates do not exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

3. Restricted Assets

Certain assets of the special revenue fund(s) may be classified as restricted assets because their use is restricted by grant agreements.

4. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable enterprise fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost as listed below and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capitalization

Assets	Amount
Buildings	$ 103,564
Structures and improvements	$ 22,782
Machinery and equipment	$ 1,209,019

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Structures and improvements	40
Transmission and distribution	40-50
Machinery and equipment	05-10

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a cash basis for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal yearend.

The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1. The budget is then forthwith submitted to the State Auditor for approval. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and formally lay the levy.

The appropriate budget is required to be prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2022, expenditures exceeded appropriations in the General Fund was not presented Over expenditure is offset by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk - Primary Government

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned.

The government does not have a deposit policy for custodial credit risk.

Bank balances can be covered entirely by FDIC; collateralized beyond FDIC with securities held by the pledging financial institution's trust department or agent in the governments name; collateralized beyond FDIC with securities held by the pledging financial institution's trust department or agent but not in the governments name; or not collateralized beyond FDIC.

B. Receivables

Receivables at year end for the government's proprietary funds are as follows:

Accounts	$228,728

C. Capital Assets

Capital asset activity for the proprietary funds for the fiscal year ended June 30, 2022, are as follows:

	July 1, 2021 Beginning Balance	Increases	Decreases	June 30, 202 Ending Balance
Capital Assets				
Non-depreciable				
Land	$ 103,564	$ -	$ -	$ 103,564
Depreciable Assets				
Buildings	22,782	-	-	22,782
Machinery and equipment	1,209,019	-	-	1,209,019
Less depreciation	(1,131,761)	-	-	(1,131,761)
Capital equipment, net	$ 203,604	$ -	$ -	$ 203,604

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries umbrella (general liability) insurance. This insurance is with:

Required Supplementary Information

Town of Chesapeake a Class IV Municipality
Statement of Revenues Collected and Expenses Paid
Budget and Actual – General Fund
FYE June 30, 2022

REVENUE	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget Favorable (Unfavorable)
Unassigned fund balance	$ -	$ -	$ -	$ -
Ad valorem property taxes	102,832	102,832	104,923	2,091
Business & occupation tax	38,000	38,000	135,300	97,300
Alcoholic beverages tax	200	200	402	202
Utility services tax	38,000	38,000	50,289	12,289
Gas and oil severance tax	400	400	2,465	2,065
Licenses and permits	1,805	1,805	1,045	(760)
Charges for services	99,640	99,640	112,360	12,720
Fines and forfeits	20,000	20,000	9,785	(10,215)
Gaming income	10,000	10,000	11,604	1,604
IRP fees	29,500	29,500	134,676	105,176
Viedo lottery	3,000	3,000	5,912	2,912
Miscellaneous	5,000	5,000	1,831	(3,169)
Total revenues	348,377	348,377	570,592	222,215
EXPENDITURES				
General government	219,977	431,628	293,285	138,343
Public safety	145,900	145,900	99,319	46,581
Street and transportation	28,000	28,000	25,254	2,746
Health and sanitation	54,000	54,000	110,719	(56,719)
Culture and recreation	6,000	6,000	78	5,922
Social services	3,000	3,000	-	3,000
Capital improvement	-	-	-	-
Total expenditures	456,877	668,528	528,655	139,873
Net change in fund balance	(108,500)	(320,151)	41,937	41,937
Cash Fund balances, beginning*	108,500	320,151	297,918	297,918
Cash Fund balances, ending	$ -	$ -	$ 339,855	$ 339,855

Town of Chesapeake a Class IV Municipality
Statement of Revenues Collected and Expenses Paid
Budget and Actual – Coal Severance Tax Fund
FYE June 30, 2022

	Budgeted Amounts		Actual Amounts Budget	Variance with Final Budget Favorable
REVENUE				
Taxes	Original	Final	Basis	(Unfavorable)
Coal severance tax	$ 2,907	$ 2,907	$ 4,339	$ 1,432
Interest and investment earnings	-	-	-	-
Total revenue	2,907	2,907	4,339	1,432
EXPENDITURES				
General government	3,007	6,589	-	6,589
Net change in fund balance	(100)	(3,682)	4,339	8,021
Cash Fund balances, beginning	100	3,682	3,682	-
Cash Fund balances, ending	$ -	$ -	$ 8,021	$ 8,021

Stephen P. Glaser CPA
1021 7th Avenue
St. Albans, WV 25177

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Town Council
Town of Chesapeake

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, in accordance with the financial reporting provisions of State Auditor's Office of West Virginia of the Town of Chesapeake, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Chesapeake's basic financial statements, and have issued our report thereon dated July 2, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chesapeake's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chesapeake's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chesapeake's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs items 2022-01 2022-02, and 2022-03 to be material deficiencies. However, other material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chesapeake's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements for noncompliance with which could have a direct and material effect on the financial statements. 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, however compliance to budget requirements could not be determined because no reliable expenditure data could be verified to compare the presented actual expenditures or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Stephen P. Glaser, CPA
St. Albans, West Virginia
July 2, 2024

Town of Chesapeake
Schedule of Findings and Questioned Costs
Fiscal Year Ending June 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued; D*isclaimed*

Internal control over financial reporting:

- Material weakness(es) identified? __x__ Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ Yes ___x___ No

Non-compliance material to the financial statements noted. _____ Yes ___x___ No

Section II – Financial Statement Findings

No Opinion was rendered with following internal control deficiencies 2022-01 - Internal Control over Accounting Records; 2022-02 - Internal Control over Financial Statement Preparation; and 2022-03 - Internal Control of Expenditure in Excess of Amounts Allocated in the Levy Estimate - General & Coal Fund.

Section III – Corrective Action Plan

A corrective action plan for the recommendation of the findings is required because material deficiencies were identified.

Section IV – Summary Schedule of Prior Audit Findings

Item

2021-01 Internal Control over Accounting Records
2021-02 Internal Control over Financial Statement Preparation
2021-03 Internal Control of Expenditure in Excess of Amounts Allocated in the Levy Estimate - General & Coal Fund –

2022-01
Internal Control over Accounting Records

CONDITION: We determined during our audit that officials of the Town did not maintain adequate accounting records. Specifically, they did not do the following:

- Maintain in the general ledger details of the liabilities and receivables activities.
- Properly classify the transaction details within and across the different funds.
- Maintain a detailed capital asset & depreciation subledger schedule.
- Provide ledger detailed records for the prescribed fiscal year for the government activities.

CRITERIA: - –West Virginia Code §6-9-2 states in part that:

"The chief inspector shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this article, which shall be uniform for all local governmental offices and agencies and for all public accounts of the same class and which shall exhibit true accounts and detailed statements for all public funds collected, received and expended for any purpose by all local governmental officers, employees or other persons. The accounts shall show the receipt, use and disposition of all public property under the control of local governmental officers, employees or other persons and any income derived therefrom and of all sources of public income, the amounts due and received from each source, all receipts, vouchers and other documents kept or required to be kept and necessary to identify and prove the validity of every transaction, all statements and reports made or required to be made for the internal administration of the office to which they pertain and all details of the financial administration of public affairs "

CAUSE: - The Town did not employ individuals or agents with the skills, knowledge, and/or experience for the adequate bookkeeping of their financial activity within their organized accounting system software; compile and maintain the necessary ledgers for the liabilities, receivables, and capital assets; and formulate the potential debt to others in the recording their financial activities.

EFFECT: - The lack of adopting and implementing internal controls required to maintain adequate accounting records of the liabilities, assets, revenues, and expenditures to allow for maintaining the proper financial oversite of the organization by management.

RECOMMENDATION: – The Town needs to employ individuals or agents with skills, knowledge, and/or experience to perform adequate bookkeeping and the determination of potential debt to others in recording their financial activities.

AUDITED ENITY RESPONSE:

On behalf of the Governing Body of the Town of Chesapeake (WV) and Sanitary Board City of Chesapeake (WV), I acknowledge the report and deficiencies highlighted in the FY2021-2023

audits for the Town of Chesapeake. We appreciate your thorough review and the insights provided into areas needing improvement. We have started taking corrective action to address these deficiencies. Our team will use the information from the audits to implement necessary changes and ensure compliance with all audit requirements going forward.

2022-02
Internal Control over Financial Statement Preparation

CONDITION: - We determined during our audit that officials of the Town did not compile the required financial statements with disclosure notes in the required reporting format other than statements that could be generated by the organized accounting system software used. The Town provided during the audit process for financial statements that the State Auditor's Office of West Virginia for a Class IV Municipality financial statement template was used. However, these statements were out of balance and were materially misstated between the schedules.

CRITERIA: - Proper preparation financial statements based on the accounting records in the required format and timely manner is required to allow for the effective management by those charged with governance, the detection in a timely manner errors or omissions that may lead material misstatements to provide management the ability to satisfy their fiduciary responsibilities to the regulatory agencies and the public.

CAUSE: - The Town has not adopted and implemented proper controls procedures required to prepare financial statements based on their accounting records to allow management the ability to render informed decisions by management of the organization to control or proposed the necessary changes to allow for maintaining proper financial oversite of the organization.

EFFECT: - The lack of adopting and implementing internal controls required to prepare financial statements to determine liabilities, assets, revenue, and expenses to allow for management to maintain the proper financial oversite of the organization operations.

RECOMMENDATION: - The town should prepare financial statements from their adjusted accounting records on the template provided by the State Auditor's Office of West Virginia for a Class IV Municipality or other financial reporting software or templates that meet the requirements of State code for the reporting of the government and business-type activities of the Town.

AUDITED AGENCY'S RESPONSE:

On behalf of the Governing Body of the Town of Chesapeake (WV) and Sanitary Board City of Chesapeake (WV), I acknowledge the report and deficiencies highlighted in the FY2021-2023 audits for the Town of Chesapeake. We appreciate your thorough review and the insights provided into areas needing improvement. We have started taking corrective action to address these deficiencies. Our team will use the information from the audits to implement necessary changes and ensure compliance with all audit requirements going forward.

2022-03
Internal Control of Expenditure in Excess of Amounts Allocated
in the Levy Estimate - General & Coal Fund –

CONDITION: - During our audit the Town failed to provide budget information in a timely manner to determine if they had implemented policies and procedures to ensure that adequate budgets and/or revisions were made to ensure that they did not expend money or incur obligations in excess of the budget.

CRITERIA: - West Virginia Code §11-8-26 states in part that:

".. "a local fiscal body shall not expend money or incur obligations:
(1) In an unauthorized manner.
(2) For an unauthorized purpose.
(3) In excess of the amount allocated to the fund in the levy order.
(4) In excess of the funds available for current expenses..."

CAUSE: -. The determination by using comparison schedule of budgeted to actual expend money or incur obligations in the General and Coal fund to actual could not be determined due to no reliable expenditure data could be verified in the comparative required information schedules in a timely manner for management exercise budgetary controls.

EFFECT: - By not exercising adequate policies and procedures, the Town of Chesapeake may have compromised its budgetary control of the Towns expenditures.

RECOMMENDATION: - The Town of Chesapeake should implement controls that will ensure compliance with budgetary requirements.

AUDITED ENITY RESPONSE:

On behalf of the Governing Body of the Town of Chesapeake (WV) and Sanitary Board City of Chesapeake (WV), I acknowledge the report and deficiencies highlighted in the FY2021-2023 audits for the Town of Chesapeake. We appreciate your thorough review and the insights provided into areas needing improvement. We have started taking corrective action to address these deficiencies. Our team will use the information from the audits to implement necessary changes and ensure compliance with all audit requirements going forward.

RFP #23-051
Kanawha County West Virginia

Independent Auditors' Report and Related Financial Statements

For the Year Ended June 30, 2023

TOWN OF CHESAPEAKE

TOWN OF CHESAPEAKE
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For the Year Ended June 30, 2023

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TOWN OF CHESAPEAKE

Mayor - Melissa Hill

Council - David Lloyd,
Dona Lacy,
Ron Petty,
Wesley Dillard,
Katie Miller, and
Craig Smith.,

Recorder - Debbie Hill

Sanitary Board

Chair - Melissa Hill,

Board Herbert Shearer,
Robert Bowen,
Jolinda Perdue

TOWN OF CHESAPEAKE

Board Members Updated 8/14/2024

Mayor - Melissa Hill	July 1, 2023 - June 30, 2027
Council - David Lloyd,	July 1, 2023 - June 30, 2027
Dona Lacy,	July 1, 2023 - June 30, 2027
Ron Petty,	July 1, 2023 - June 30, 2027
Wesley Dillard,	July 1, 2023 - June 30, 2027
Katie Miller, and	July 1, 2023 - June 30, 2027
Craig Smith.,	July 1, 2023 - June 30, 2027
Recorder - Debbie Hill	July 1, 2024 - June 30, 2027

Sanitary Board

Chair - Melissa Hill,	7/1/2023 - 6/30/2025
Board Herbert Shearer,	7/1/2023 - 6/30/2025
Robert Bowen,	7/1/2023 - 6/30/2025
Jolinda Perdue.	7/1/2023 - 6/30/2025

TOWN OF CHESAPEAKE
Schedule of Funds
For the Year Ended June 30, 2023

Major Government Funds

General

Coal Severance

Proprietary Fund

Enterprise Fund

Sanitary

Stephen P. Glaser CPA
1021 7th Avenue
St. Albans, WV 25177
Independent Auditors' Report

Honorable Mayor and Council
Town of Chesapeake
12404 McCorkle Avenue
Chesapeake, WV 25315

Disclaimer of Opinion

We have performed auditing procedures to the accompanying financial statements in accordance with the financial reporting provisions of State Auditor's Office of West Virginia for a Class IV Municipality of the government and business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chesapeake a Class IV Municipality as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Chesapeake's basic financial statements as listed in the table of contents.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence as an independent auditor to provide a basis for an audit opinion on the financial statements of the presented Town of Chesapeake . Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion

We conduced our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chesapeake , and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We could not obtain audit evidence that is relevant and appropriate to provide a basis for an audit opinion other than disclaimed that audit opinion.

Matter Giving Rise to Disclaimer of Opinion

The financial statement of the Town of Chesapeake did not provide adequate financial records for the financial statements to be presented in accordance with State Auditor's Office of West Virginia for a Class IV Municipality by Town of Chesapeake a Class IV Municipality for the financial statements presented in this report.

The Town of Chesapeake did not provide the general ledger transaction detail in its entirety as requested for the government and coal severance tax fund for the fiscal year.

The Town of Chesapeake financial statements for the

- proprietary fund did not adequately address accounts receivable, liabilities, and capital assets activity in the financial statements.
- proprietary fund does not separate restricted from unrestricted or presented invested in capital assets in Statement of Net Position.
- proprietary fund Statement of Net Position and Statement of Revenue, Expenses and Changes in Net Position were out of balance by $31,221.
- government funds were not adjusted to meet the reporting requirements for financial statements thus resulting in the Statement of Assets arising from Cash Transactions and the Statement of Revenues Collected and Expenses Paid being out of balance by $51,779.
- Government funds do not present or account for America Rescue Act Funds as a separate fund in the statements to detail the financial activity or provide clear auditing tail for the use of the funds, and
- multiple transactions activity was not allocated properly between funds or recorded with consistency.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with State Auditor's Office of West Virginia for a Class IV and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chesapeake 's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chesapeake 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chesapeake 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The State Auditor's Office of West Virginia requires that the budgetary comparison information be presented to supplement the basic financial statements. We would have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America if provided, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures if performed do not provide us with sufficient evidence to express an opinion or provide any assurance zas well as not being provided by the Town of Chesapeake.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2024 , on our consideration of the Town of Chesapeake '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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chesapeake 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Chesapeake 's internal control over financial reporting and compliance.

Stephen P. Glaser, CPA
St. Albans, West Virginia
July 2, 2024

Town of Chesapeake a Class IV Municipality
Statement of Assets arising from Cash Transactions
FYE June 30, 2023

ASSETS	General	Coal Severance Tax	Total Government Funds
Current:			
Cash and cash equivalents	$ 517,920	$ 5,083	$ 523,003
Total cash and cash equivalents	517,920	5,083	523,003
CASH FUND BALANCES:			
Restricted	-	5,083	5,083
Unassigned	466,141	-	466,141
	$ 466,141	$ 5,083	$ 471,224

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake a Class IV Municipality
Statement of Revenues Collected and Expenses Paid
FYE June,30, 2023

REVENUE	General	Coal Severance Tax	Total Government Funds
Ad valorem property taxes	$ 102,475	$ -	$ 102,475
Business and Occupation tax	138,203	-	138,203
Utility services tax	52,845	-	52,845
Gas and oil severance tax	7,763	-	7,763
Alcoholic beverages tax	210	-	210
Coal severance tax	-	5,062	5,062
Licenses and permits	1,283	-	1,283
Federal Grants	72,942	-	72,942
Charges for services	147,407	-	147,407
Fines and forfeits	10,741	-	10,741
Gaming income	12,071	-	12,071
IRP fees	121,853	-	121,853
Viedo lottery	5,386	-	5,386
Interest and investment earnings	530	-	530
Miscellaneous	108,040	-	108,040
Total revenue	781,749	5,062	786,811
EXPENDITURES			
General government	647,122	8,000	655,122
Public safety	139,497	-	139,497
Street and transportation	25,248	-	25,248
Health and sanitation	216,070	-	216,070
Culture and recreation	5,133	-	5,133
Social services	-	-	-
Total expenditures	1,033,070	8,000	1,041,070
Net change in fund balance	(251,321)	(2,938)	(254,259)
Cash Fund balances, beginning	712,182	8,021	720,203
Cash Fund balances, ending	$ 460,861	$ 5,083	$ 465,944

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake
Statement of Net Position-Proprietary Fund
FYE June 30, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	$ 253,589
Accounts receivable, net	275,839
Other	
Total Current assets	529,428
Capital Assets	
Non-depreciable	
Land	103,564
Depreciable Assets	
Buildings	22,782
Machinery and equipment	1,222,769
Less depreciation	(1,131,761)
Capital equipment, net	217,354
DEFERRED OUTFLOWS:	
Total deferred outflows	-
Total Assets	746,782
LIABILITIES	
Accounts payable	18,394
Accrued taxes	-
Due to other governments	-
DEFERRED INFLOWS:	
Total deferred inflows	-
Total liabilities	18,394
NET POSITION	
Invested in capital assets	-
Unrestricted	728,388
	$ 728,388

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary-Fund
FYE June 30, 2023

OPERATING REVENUES	
Sales and services to customers	$ 494,312
Miscellaneous revenues	-
Total operating revenues	494,312
OPERATING EXPENSES	
Personal services	51,766
Contracted services	178,184
Administrative and general	-
Taxes	7,425
Miscellaneous	6,148
Purchased water	155,820
Utilities	15,792
Maintenance	40,178
Depreciation and amortization	-
Total operating expenses	455,313
Operating income (loss)	38,999
Nonoperating revenues (expenses):	
Interest income	228
Income (loss) before operating transfers and contributions	39,227
Capital contributions	156,453
Change in net position	195,680
Net position at beginning of year	501,487
Net position at end of year	$ 697,167

The accompanying notes are an integral part of these financial statements.

Town of Chesapeake
Statement of Cash Flows – Proprietary-Fund
FYE June 30, 2023

Cash flows from operating activities:	
Cash received from customers	$ 447,201
Cash paid for goods and services	(420,845)
Cash paid to employees	(51,766)
Net cash provided (used) by operating activities	(25,410)
Cash flows from capital and related financing activities:	
Capital contributions	156,452
Purchases of capital assets	(13,750)
Net cash provided (used) by capital and related financing activities:	142,702
Cash flows from investing activities:	
Interest received	228
Net cash provided (used) by investing activities	228
Net increase (decrease) in cash and cash equivalents	117,520
Beginning cash and equivants	104,847
Cash and equivalents, ending	$ 222,367
Reconciliation of operating Income	
Operating income (loss)	$ 38,999
Adjustments	
Decrease (increase) in accounts receivable	(47,111)
Increase (decrease) in accounts payable	(17,298)
Net cash provided by operations	$ (25,410)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Chesapeake, West Virginia, conform to the other comprehensive basis of accounting prescribed by the State Auditor's Office of West Virginia as applicable to Class IV governmental municipalities. The following is a summary of significant accounting policies:

A. Reporting Entity

The Municipality of Chesapeake is a municipal corporation governed by an elected mayor and council. The accompanying financial statements present the government 0 as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality. Based upon the above criteria, the Municipality does not have any component units.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the cash basis of accounting. Revenues are recorded when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The government reports the following governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The Coal Severance Tax fund, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

Proprietary fund financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred as required by generally accepted accounting principles for proprietary funds.

The government reports the following proprietary funds:

The Sanitary fund serves the citizens of the municipality by providing Sewer services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenue of Sanitary is/are charges to customers for services. Operating expenses include cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Deposits

The Municipality of Chesapeake, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

The Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of investments and fair values are presented in a subsequent note titled 'Deposits and Investments'.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this State if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded in the top three ratings, at the time of acquisition; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than five percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

2. Receivables and Payables

Interfund Transactions

Activity between enterprise funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" All other outstanding balances between funds are reported as "due to/from other funds."

Trade Receivables

The government periodically analyzes delinquent accounts and uses the direct write-off method.

Property Tax Revenue

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first.

Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid.

All municipalities within the State are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates do not exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

3. Restricted Assets

Certain assets of the special revenue fund(s) may be classified as restricted assets because their use is restricted by grant agreements.

4. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable enterprise fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost as listed below and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capitalization

Assets	Amount
Buildings	$ 103,564
Structures and improvements	$ 22,782
Machinery and equipment	$ 1,209,019

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Structures and improvements	40
Transmission and distribution	40-50
Machinery and equipment	05-10

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a cash basis for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal yearend.

The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1. The budget is then forthwith submitted to the State Auditor for approval. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and formally lay the levy.

The appropriate budget is required to be prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the General Fund was not presented Over expenditure is offset by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk - Primary Government

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned.

The government does not have a deposit policy for custodial credit risk.

Bank balances can be covered entirely by FDIC; collateralized beyond FDIC with securities held by the pledging financial institution's trust department or agent in the governments name; collateralized beyond FDIC with securities held by the pledging financial institution's trust department or agent but not in the governments name; or not collateralized beyond FDIC.

B. Receivables

Receivables at year end for the government's proprietary funds are as follows:

Accounts	$275,839

C. Capital Assets

Capital asset activity for the proprietary funds for the fiscal year ended June 30, 2023, are as follows:

	July 1, 2022 Beginning Balance	Increases	Decreases	June 30, 2023 Ending Balance
Capital Assets				
Non-depreciable				
Land	$ 103,564	$ -	$ -	$ 103,564
Depreciable Assets				
Buildings	22,782	-	-	22,782
Machinery and equipment	1,209,019	13,750	-	1,222,769
Less depreciation	(1,131,761)	-	-	(1,131,761)
Capital equipment, net	$ 203,604	$ 13,750	$ -	$ 217,354

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries umbrella (general liability) insurance. This insurance is with:

Required Supplementary Information

Town of Chesapeake a Class IV Municipality
Statement of Revenues Collected and Expenses Paid
Budget and Actual – General Fund
FYE June 30, 2023

REVENUE	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget Favorable (Unfavorable)
Unassigned fund balance	$ -	$ -	$ -	$ -
Ad valorem property taxes	108,327	108,327	102,475	(5,852)
Business & occupation tax	125,000	125,000	138,203	13,203
Utility services tax	50,000	50,000	52,845	2,845
Gas and oil severance tax	400	400	7,763	7,363
Alcoholic beverages tax	200	200	210	10
Federal Grants	-	-	72,942	72,942
Licenses and permits	1,800	1,800	1,283	(517)
Charges for services	169,000	169,000	147,407	(21,593)
Fines and forfeits	20,000	20,000	10,741	(9,259)
Gaming income	10,000	10,000	12,071	2,071
IRP fees	100,000	100,000	121,853	21,853
Viedo lottery	3,000	3,000	5,386	2,386
Interest and investment earnings	-	-	530	530
Miscellaneous	5,000	5,000	108,040	103,040
Total revenues	592,727	592,727	781,749	189,022
EXPENDITURES				
General government	358,727	358,727	647,122	(288,395)
Public safety	222,000	222,000	139,497	82,503
Street and transportation	32,500	32,500	25,248	7,252
Health and sanitation	98,000	98,000	216,070	(118,070)
Culture and recreation	28,000	28,000	5,133	22,867
Social services	3,000	3,000	-	3,000
Capital improvement	-	-	-	-
Total expenditures	742,227	742,227	1,033,070	(290,843)
Net change in fund balance	(149,500)	(149,500)	(251,321)	(251,321)
Cash Fund balances, beginning*	149,500	149,500	712,182	712,182
Cash Fund balances, ending	$ -	$ -	$ 460,861	$ 460,861

Town of Chesapeake a Class IV Municipality
Statement of Revenues Collected and Expenses Paid
Budget and Actual – Coal Severance Tax Fund
FYE June 30, 2023

	Budgeted Amounts		Actual Amounts Budget	Variance with Final Budget Favorable
REVENUE				
Taxes	Original	Final	Basis	(Unfavorable)
Coal severance tax	$ 3,000	$ 3,000	$ 5,062	$ 2,062
Interest and investment earnings	-	-	-	-
Total revenue	3,000	3,000	5,062	2,062
EXPENDITURES				
General government	6,000	6,000	8,000	(2,000)
Net change in fund balance	(3,000)	(3,000)	(2,938)	62
Cash Fund balances, beginning	-	-	8,021	5,021
Cash Fund balances, ending	$ (3,000)	$ (3,000)	$ 5,083	$ 5,083

Stephen P. Glaser CPA
1021 7th Avenue
St. Albans, WV 25177

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Town Council
Town of Chesapeake

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, in accordance with the financial reporting provisions of State Auditor's Office of West Virginia of the Town of Chesapeake, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Chesapeake's basic financial statements, and have issued our report thereon dated July 2, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chesapeake's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chesapeake's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chesapeake's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs items 2023-01 2023-02, and 2023-03 to be material deficiencies. However, other material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chesapeake's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements for noncompliance with which could have a direct and material effect on the financial statements. 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, however compliance to budget requirements could not be determined because no reliable expenditure data could be verified to compare the presented actual expenditures or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Stephen P. Glaser, CPA
St. Albans, West Virginia
July 2, 2024

Town of Chesapeake
Schedule of Findings and Questioned Costs
Fiscal Year Ending June 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued; D*isclaimed*

Internal control over financial reporting:

- Material weakness(es) identified? x Yes ____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ Yes x No

Non-compliance material to the financial statements noted. ____ Yes x No

Section II – Financial Statement Findings

No Opinion was rendered with following internal control deficiencies 2023-01 - Internal Control over Accounting Records; 2023-02 - Internal Control over Financial Statement Preparation; and 2023-03 - Internal Control of Expenditure in Excess of Amounts Allocated in the Levy Estimate - General & Coal Fund.

Section III – Corrective Action Plan

A corrective action plan for the recommendation of the findings is required because material deficiencies were identified.

Section IV – Summary Schedule of Prior Audit Findings

Item

2022-01 Internal Control over Accounting Records
2022-02 Internal Control over Financial Statement Preparation
2022-03 Internal Control of Expenditure in Excess of Amounts Allocated in the Levy Estimate - General & Coal Fund –

2023-01
Internal Control over Accounting Records

CONDITION: We determined during our audit that officials of the Town did not maintain adequate accounting records. Specifically, they did not do the following:

- Maintain in the general ledger details of the liabilities and receivables activities.
- Properly classify the transaction details within and across the different funds.
- Maintain a detailed capital asset & depreciation subledger schedule.
- Provide ledger detailed records for the prescribed fiscal year for the government activities.

CRITERIA: - –West Virginia Code §6-9-2 states in part that:

"The chief inspector shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this article, which shall be uniform for all local governmental offices and agencies and for all public accounts of the same class and which shall exhibit true accounts and detailed statements for all public funds collected, received and expended for any purpose by all local governmental officers, employees or other persons. The accounts shall show the receipt, use and disposition of all public property under the control of local governmental officers, employees or other persons and any income derived therefrom and of all sources of public income, the amounts due and received from each source, all receipts, vouchers and other documents kept or required to be kept and necessary to identify and prove the validity of every transaction, all statements and reports made or required to be made for the internal administration of the office to which they pertain and all details of the financial administration of public affairs "

CAUSE: - The Town did not employ individuals or agents with the skills, knowledge, and/or experience for the adequate bookkeeping of their financial activity within their organized accounting system software; compile and maintain the necessary ledgers for the liabilities, receivables, and capital assets; and formulate the potential debt to others in the recording their financial activities.

EFFECT: - The lack of adopting and implementing internal controls required to maintain adequate accounting records of the liabilities, assets, revenues, and expenditures to allow for maintaining the proper financial oversite of the organization by management.

RECOMMENDATION: – The Town needs to employ individuals or agents with skills, knowledge, and/or experience to perform adequate bookkeeping and the determination of potential debt to others in recording their financial activities.

AUDITED ENITY RESPONSE:

On behalf of the Governing Body of the Town of Chesapeake (WV) and Sanitary Board City of Chesapeake (WV), I acknowledge the report and deficiencies highlighted in the FY2021-2023

audits for the Town of Chesapeake. We appreciate your thorough review and the insights provided into areas needing improvement. We have started taking corrective action to address these deficiencies. Our team will use the information from the audits to implement necessary changes and ensure compliance with all audit requirements going forward.

2023-02
Internal Control over Financial Statement Preparation

CONDITION: - We determined during our audit that officials of the Town did not compile the required financial statements with disclosure notes in the required reporting format other than statements that could be generated by the organized accounting system software used. The Town provided during the audit process for financial statements that the State Auditor's Office of West Virginia for a Class IV Municipality financial statement template was used. However, these statements were out of balance and were materially misstated between the schedules.

CRITERIA: - Proper preparation financial statements based on the accounting records in the required format and timely manner is required to allow for the effective management by those charged with governance, the detection in a timely manner errors or omissions that may lead material misstatements to provide management the ability to satisfy their fiduciary responsibilities to the regulatory agencies and the public.

CAUSE: - The Town has not adopted and implemented proper controls procedures required to prepare financial statements based on their accounting records to allow management the ability to render informed decisions by management of the organization to control or proposed the necessary changes to allow for maintaining proper financial oversite of the organization,

EFFECT: - The lack of adopting and implementing internal controls required to prepare financial statements to determine liabilities, assets, revenue, and expenses to allow for management to maintain the proper financial oversite of the organization operations.

RECOMMENDATION: - The town should prepare financial statements from their adjusted accounting records on the template provided by the State Auditor's Office of West Virginia for a Class IV Municipality or other financial reporting software or templates that meet the requirements of State code for the reporting of the government and business-type activities of the Town.

AUDITED AGENCY'S RESPONSE:

On behalf of the Governing Body of the Town of Chesapeake (WV) and Sanitary Board City of Chesapeake (WV), I acknowledge the report and deficiencies highlighted in the FY2021-2023 audits for the Town of Chesapeake. We appreciate your thorough review and the insights provided into areas needing improvement. We have started taking corrective action to address these deficiencies. Our team will use the information from the audits to implement necessary changes and ensure compliance with all audit requirements going forward.

2023-03
Internal Control of Expenditure in Excess of Amounts Allocated
in the Levy Estimate - General & Coal Fund –

CONDITION: - During our audit the Town failed to provide budget information in a timely manner to determine if they had implemented policies and procedures to ensure that adequate budgets and/or revisions were made to ensure that they did not expend money or incur obligations in excess of the budget.

CRITERIA: - West Virginia Code §11-8-26 states in part that:

"... "a local fiscal body shall not expend money or incur obligations:
(1) In an unauthorized manner.
(2) For an unauthorized purpose.
(3) In excess of the amount allocated to the fund in the levy order.
(4) In excess of the funds available for current expenses..."

CAUSE: -. The determination by using comparison schedule of budgeted to actual expend money or incur obligations in the General and Coal fund to actual could not be determined due to no reliable expenditure data could be verified in the comparative required information schedules in a timely manner for management exercise budgetary controls.

EFFECT: - By not exercising adequate policies and procedures, the Town of Chesapeake may have compromised its budgetary control of the Towns expenditures.

RECOMMENDATION: - The Town of Chesapeake should implement controls that will ensure compliance with budgetary requirements.

AUDITED ENITY RESPONSE:

On behalf of the Governing Body of the Town of Chesapeake (WV) and Sanitary Board City of Chesapeake (WV), I acknowledge the report and deficiencies highlighted in the FY2021-2023 audits for the Town of Chesapeake. We appreciate your thorough review and the insights provided into areas needing improvement. We have started taking corrective action to address these deficiencies. Our team will use the information from the audits to implement necessary changes and ensure compliance with all audit requirements going forward.