RFP#15-012
Kanawha County

Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

TOWN OF CHESAPEAKE, WEST VIRGINIA
A Class IV Municipality In Kanawha County, West Virginia

REGULAR AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013

TOWN OF CHESAPEAKE
KANAWHA COUNTY, WEST VIRGINIA

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Independent Auditor's Report

Town of Chesapeake
Kanawha County, West Virginia
12404 MacCorkle Avenue
Chesapeake, West Virginia 25315

To the Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake, Kanawha County, West Virginia (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake, Kanawha County, West Virginia, as of June 30, 2013, and the respective changes in financial position thereof, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis and other required supplementary information as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. The Town has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information related to the budgetary comparison schedules on pages 25 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the schedules in accordance with auditing standards generally accepted in the United States of America, which consisted 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 do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the Town'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Huntington, West Virginia
September 25, 2015

Town of Chesapeake, West Virginia
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 44,376	131,445	$ 175,821
Restricted Cash	10,945	-	10,945
Investments	-	381,978	381,978
Accounts Receivable, net	-	35,624	35,624
Prepaid Assets	-	225	225
Capital Assets Not Being Depreciated	-	103,564	103,564
Capital Assets Being Depreciated, Net	411,394	198,900	610,294
Total Assets	$ 466,715	$ 851,736	$ 1,318,451
LIABILITIES:			
Accounts Payable	$ -	$ 8,793	$ 8,793
Total Liabilities	-	8,793	8,793
NET POSITION:			
Net Investment in Capital Assets	411,394	302,464	713,858
Restricted	10,945	-	10,945
Unrestricted	44,376	540,479	584,855
Total Net Position	$ 466,715	$ 842,943	$ 1,309,658

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

Town of Chesapeake, West Virginia
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-type Activities	Net (Expense) Revenues and Changes in Net Position: Total
Governmental Activities:						
General Government	$ 155,958	$ -	$ -	$ (155,958)	$ -	$ (155,958)
Public Safety	116,891	-	-	(116,891)	-	(116,891)
Streets and transportation	24,334	-	-	(24,334)	-	(24,334)
Health and sanitation	134,250	76,792	-	(57,458)	-	(57,458)
Culure and Recreation	7,640	-	-	(7,640)	-	(7,640)
Total Governmental activities	439,073	76,792	-	(362,281)	-	(362,281)
Business-type Activities:						
Sewer	325,012	269,110	58,575	-	2,673	2,673
Total Business-type Activities	325,012	269,110	58,575	-	2,673	2,673
Total Government	$ 764,085	$ 345,902	$ 58,575	(362,281)	2,673	(359,608)
General Revenues:						
Taxes				235,622	-	235,622
IRP Fees				26,000	-	26,000
Fines				4,767	-	4,767
Licenses and Permits				43,622	-	43,622
Rents and Concessions				12,920	-	12,920
Video Lottery				5,171	-	5,171
Gaming Income				21,646	-	21,646
Reimbursements				1,298	-	1,298
Interest				-	630	630
Miscellaneous				4,295	-	4,295
Total General Revenues				355,341	630	355,971
Change in Net Position				(6,940)	3,303	(3,637)
Net Position Beginning of Year				473,655	839,640	1,313,295
Net Position End of Year				$ 466,715	$ 842,943	$ 1,309,658

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

Town of Chesapeake, West Virginia
Balance Sheet - Governmental Funds
June 30, 2013

	General	Coal Severance Tax	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 42,064	$ 2,312	$ 44,376
Restricted cash	10,945	-	10,945
Total Assets	$ 53,009	$ 2,312	$ 55,321
FUND BALANCES:			
Restricted	10,945	-	10,945
Assigned	-	2,312	2,312
Unassigned	42,064	-	42,064
Total Fund Balances	53,009	2,312	55,321
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 53,009	$ 2,312	$ 55,321

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

Town of Chesapeake, West Virginia
Reconciliation of Balance Sheet - Governmental Funds to
the Statement of Net Position
June 30, 2013

Total Governmental Fund Balances	$	55,321
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		411,394
Net Position of Governmental Activities	$	466,715

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

Town of Chesapeake, West Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Coal Severance Tax	Total Governmental Funds
REVENUES:			
Taxes	$ 230,614	$ 5,008	$ 235,622
IRP Fees	26,000	-	26,000
Charges for Services	76,792	-	76,792
Licenses and Permits	43,622	-	43,622
Fines and Court Costs	4,767	-	4,767
Rents and Concessions	12,920	-	12,920
Gaming Income	21,646	-	21,646
Video Lottery	5,171	-	5,171
Reimbursements	1,298	-	1,298
Miscellaneous	4,294	-	4,294
Total Revenues	427,124	5,008	432,132
EXPENDITURES:			
General Government	146,456	-	146,456
Public Safety	113,281	-	113,281
Streets and Transportation	20,130	-	20,130
Health and Sanitation	128,769	5,481	134,250
Culture and Recreation	1,926	-	1,926
Total Expenditures	410,562	5,481	416,043
Net Changes in Fund Blanaces	16,562	(473)	16,089
Fund Balances at Beginning of Year	36,447	2,785	39,232
Fund Balances at End of Year	$ 53,009	$ 2,312	$ 55,321

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

Town of Chesapeake, West Virginia
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	$	16,089
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Assed Additions are not included in Governmental Funds		-
Depreciation Expenses not Included in Governmental Funds		(23,029)
Net Change in Net Position of Governmental Activities	$	(6,940)

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

Town of Chesapeake, West Virginia
Statement of Net Position
Proprietary Fund
June 30, 2013

	Sewer
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 131,445
Investments	381,978
Accounts receivable	35,624
Prepaid Assets	225
Total Current Assets	549,272
Capital Assets, Not being Depreciated	103,564
Capital Assets being Depreciated, Net	198,900
Total Assets	$ 851,736
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 8,793
Total Liabilities	8,793
NET POSITION:	
Net Investment in Capital Assets	302,464
Unrestricted	540,479
Total Net Position	$ 842,943

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

Town of Chesapeake, West Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
for the Fiscal Year Ended June 30, 2013

	Sewer
Operating Revenues:	
Charges for Services	$ 260,778
Miscellaneous	8,332
Total Operating Revenues	269,110
Operating Expenses:	
Payroll Expenses	75,205
Contracted Services	11,662
Utilities	10,134
Repairs and Maintenance	184,728
Insurance	9,693
Administration	11,398
Depreciation	22,192
Total Operating Expenses	325,012
Operating Loss	(55,902)
Nonoperating Revenues (Expenses):	
Reimbursement	18,575
Intergovernmental	40,000
Interest Revenue	630
Total Nonoperating Revenue (Expense)	59,205
Change in Net Position	3,303
Net Position at Beginning of Year	839,640
Net Position at End of Year	$ 842,943

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

Town of Chesapeake, West Virginia
Statement of Cash Flow - Propretary Fund
for the Fiscal Year Ended June 30, 2013

		Sewer
Cash Flows from Operating Activities:		
Cash Received from Customers	$	270,103
Cash Paid to Suppliers and Employees		(295,971)
Net Cash Provided (Used) by Operating Activities		(25,868)
Cash Flows from Capital Financing Activities:		
Grant and Reimbursement		58,575
Net Cash Receiver for Capital Financing Activities		58,575
Cash Flows from Investing Activities:		
Purchases of Capital Assets		(6,240)
Interest Earned		630
Decrease in Investments		(423)
Net Cash Provided by Investing Activities		(6,033)
Net Increase (Decrease) in Cash and Equivalents		26,674
Cash and Equivalents, Beginning of Year		104,771
Cash and Equivalents, End of Year	$	131,445
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$	(55,902)
Changes in Assets and Liabilities -		
Depreciation Expense		22,192
(Increase) Decrease in Accounts Receivable		(2,901)
(Increase) Decrease in Prepaids		3,894
Increase (Decrease) in Accounts Payable		6,849
Net Cash Provided (Used) by Operating Activities	$	(25,868)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Introduction:

The financial statements of the Town of Chesapeake (the Town), West Virginia, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement establishes financial reporting standards for state and local governments by revising the basic financial statement requirements and also requiring an Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities. The Town has not presented the Management's Discussion and Analysis for the year ended June 30, 2013.

Component Unit/Reporting Entity:

The Town reports related organizations under the guidance of Statement No. 14 of the Governmental Accounting Standards Board. Statement No. 14 defines the primary government, and establishes the criteria for which potential component units are included in the reported entity. Statement No. 14 defines financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The accompanying financial statements include only the operations of the Town, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Town.

Government – Wide Statements and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Government – Wide Statements and Fund Financial Statements: continued

In the government-wide Statement of Net Position, both the government and business-type activities columns are presented on a consolidated basis by column and are reflected on a cash and accrual basis, respectively. The Town's net position are reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues, which include taxes, interest revenue and other items not properly included among program revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and contributions, and capital grants. Program revenues include charges to customers for goods, services, privileges provided, operating grants and contributions, and capital grants and contributions. Program revenues must be directly associated with the function or business-type activity. Operating grants includes operating-specific and discretionary grants while the capital grants reflect capital- specific grants. The net cost (by function or business-type activity) is normally covered by general revenue.

Separate financial statements are provided for governmental funds and proprietary fund (business-type activities). Major individual governmental funds and major individual proprietary (enterprise) funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basic of Accounting, and Financial Statement Presentation:

The measurement focus describes the type of transactions and events that are reported in a fund's operating statement. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The emphasis in fund financial statements is on major fund in either the governmental or business-type activity categories. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise categories combined) for the determination of major funds. Town management may electively add funds as major funds, when it is determined the funds have specific community or management focus.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Measurement Focus, Basic of Accounting, and Financial Statement Presentation:

The focus of the governmental funds' measurements in the funds statement is upon determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenue as available if they are collected within sixty days of year end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual ore property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the Town also are recognized as revenue. Fines are not susceptible to accrual because generally they are not measurable until received in cash.

The Town uses the following major funds:

Governmental Funds:

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

The Coal Severance Tax Fund is used to account for monies received from a specific tax on coal.

Business-type (Proprietary) Funds:

The Sewer Fund accounts for the operating revenue and expense of the wastewater collection system and sewage processing plants.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town applies all applicable FASB pronouncements issued on or after November 30, 1989, in accounting and reporting for its enterprise operations, unless they conflict with GASB guidance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Measurement Focus, Basic of Accounting, and Financial Statement Presentation: continued

The focus for proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flow. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first.

Budget Policy and Practice:

The Mayor submits the annual budget for the General Fund and Coal Severance Tax Fund to the Town Council in accordance with the Municipal Charter and State law. The budgets are prepared on prescribed forms and submitted for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

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

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

Budgeting and Budgetary Control:

The General Fund and Coal Severance Tax Fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows; personal services, contractual commitments, capital outlay, and contributions. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Town Council and approval by the State Tax Commissioner. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year and the budgeted amounts reflected in the accompanying financial statements are such approved amounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is not employed as an extension of the formal budgetary process for the year ended June 30, 2013. The Town reported no encumbrances at June 30, 2013.

Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash, Cash Equivalents and Investments:

In the Statement of Cash Flows for the proprietary funds, all highly liquid investments with a remaining maturity of three months or less when purchased are considered to be cash equivalents.

Investments are reported at fair value, which is determined using selected bases. 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. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

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 National Mortgage Association; indebtedness secured by first lien deed of trusts 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 as in the top two or three highest rating grades; interest earning deposits, which are fully insured or collateralized; and mutual funds registered with the S.E.C., which have fund assets over three hundred million dollars.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Cash, Cash Equivalents and Investments: continued

State statute limitation 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 nine 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.

Receivables:

The Town's management periodically analyzes delinquent accounts of the Sewer Fund and uses the allowance method for accounting for bad debt. Accounts receivable, net of allowance for doubtful accounts, on the financial statements is $35,624.

Inventories:

The Town considers inventories of materials and supplies utilized in governmental fund types to be immaterial and, therefore, expended at the time of purchase.

Prepaid Items:

Prepaid items are payments for costs applicable to future periods.

Capital Assets:

Capital assets, includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchases or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs or normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interested incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Capital Assets: continued

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

Buildings	25 – 50 years
Improvements	10 – 20 years
Utility plant	10 – 20 years
Equipment	3 – 10 years

Compensated Absences:

Compensated absences are those for which employees have a right to receive consideration for expected future absences.

The Town has elected not to accrue a liability for compensated absences, as the amount would be immaterial.

Fund Balance:

The governmental fund financial statements present fund balances based on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

1. Nonspendable – This amount cannot be spent either because it is in a nonspendable form or because it is legally or contractually required to be maintained intact.

2. Restricted – This amount can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

3. Committed – This amount can be spent only for a specific purpose determined by a formal action of Town Council. Town Council is the highest level of decision making authority for the Town. Commitment may be established, modified, or rescinded only through ordinances or resolutions approved by Town Council.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Fund Balance: continued

4. Assigned – This amount does not meet the criteria to be classified as restricted or committed but is intended to be used for a specific purpose. Under the Town's adopted policy, only Town Council may assign an amount for a specific purpose.

5. Unassigned – The amount includes all other spendable amounts.

NOTE 2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at June 30, 2014, were as follows:

Cash in bank accounts	$ 175,821
Restricted cash	$ 10,945
Investments	$ 381,978

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. The Town's deposits at June 30, 2013, were insured by Federal Depository Insurance Corporation (FDIC) and collateral held in the Town's name by the financial institutions.

NOTE 3. PROPERTY TAXES:

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however statutes provide that the sheriff of a county may distrain for delinquent taxes any good and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments: the first installment is payable on September 1st of the year for which the assessment is made, and becomes delinquent on October 1st, and the second installment is payable on the first day of the following March and becomes delinquent on April 1st. 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 taxes are not paid on or before the date on 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 paid.

NOTE 3. PROPERTY TAXES: continued

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per $100.00 of assessed valuation: on Class I property, twelve and five-tenths cents (12.5 cents); on Class II property, twenty-five cents (25 cents); and on Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent for such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Town of Chesapeake, West Virginia, per $100.00 of assessed valuation for each class of property for the fiscal year ended June 30, 2013, were as follows:

Class of Property	Assessed Valuations for Tax Purposes	Levy Rate
Class II	$ 14,496,092	23.34 cents
Class IV	$ 14,996,556	46.68 cents

NOTE 4. CHANGES IN CAPITAL ASSETS

Changes in capital assets during the year for governmental activities were as follows:

	Totals June 30, 2012	Additions	Deletions	Totals June 30, 2013
Capital assets being depreciated:				
Equipment	$118,140	$-	$-	$118,140
Buildings	380,089	-	-	380,089
Total capital assets being depreciated	498,229	-	-	498,229
Less accumulated depreciation for:				
Equipment	21,046	13,528	-	34,574
Buildings	42,759	9,502	-	52,261
Total accumulated depreciation	63,805	23,030	-	86,835
Governmental activities Capital assets, net	$434,424	$(23,030)	$-	$411,394

Depreciation expense was charged to the governmental activities as follows:

General Government	$ 9,502
Public Safety	3,610
Culture and Recreation	5,714
Streets and Transportation	4,204
Total	$ 23,030

NOTE 4. CHANGES IN CAPITAL ASSETS: continued

Changes in capital assets during the year for the business-type funds were as follows:

	Totals June 30, 2012	Additions	Deletions	Totals June 30, 2013
Capital assets not being depreciated:				
Land and land rights	$103,564	$ -	$ -	$ 103,564
Total capital assets not being depreciated	103,564	-	-	103,564
Capital assets being depreciated:				
Buildings	22,782	-	-	22,782
Collecting, pumping, treatment and disposal plant and equipment	1,162,541	6,240	-	1,168,781
Total capital assets being depreciated	1,185,323	6,240	-	1,191,563
Less accumulated depreciation for:				
Buildings	22,782	-	-	22,782
Collecting, pumping, treatment and disposal plant and equipment	947,689	22,192	-	969,881
Total accumulated depreciation	970,471	22,192	-	992,663
Total capital assets being depreciated, net	214,852	(15,952)	-	198,900
Capital assets, net	$318,416	$(15,952)	$ -	$ 302,464

NOTE 5. CONTINGENT LIABILITIES:

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority to ensure compliance with conditions precedent to the granting of funds. Any liabilities for reimbursement, which may arise as the result of these audits, is not believed to be material.

NOTE 6. RISK MANAGEMENT:

The government is exposed to various risks of loss related to torts, thefts, damage to and destruction of assets, errors and omissions, and natural disasters. The Town carries umbrella (general liability) insurance for these various risks.

The Town provides insurance coverage to employees for job-related injuries through BrickStreet Mutual Insurance Company and offers health insurance to all eligible employees through Carelink Insurance.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonable estimated.

NOTE 7. SUBSEQUENT EVENTS:

Management evaluated subsequent events through September 25, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Chesapeake, West Virginia
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2013

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 230,339	$ 230,339	$ 230,614	$ 275
IRP Fees	14,000	14,000	26,000	12,000
Licenses and Permits	18,900	18,900	43,622	24,722
Fines, Fees, and Court Costs	4,000	4,000	4,767	767
Charges for Services	85,000	85,000	76,792	(8,208)
Gaming Income	15,000	15,000	21,646	6,646
Video Lottery	5,000	5,000	5,171	171
Rents and Concessions	8,000	8,000	12,920	4,920
Reimbursements	1,000	1,000	1,298	298
Miscellaneous	6,000	6,000	4,294	(1,706)
Total Revenues	387,239	387,239	427,124	39,885
Expenditures:				
General Government	132,939	132,939	146,456	(13,517)
Public Safety	121,800	121,800	113,281	8,519
Streets and Transportation	22,000	22,000	20,130	1,870
Health and Sanitation	125,500	128,855	128,769	86
Culture and Recreation	5,000	5,000	1,926	3,074
Total Expenditures	407,239	410,594	410,562	32
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(23,355)	16,562	39,917
Fund Balance at Beginning of Year	20,000	23,355	36,447	13,092
Fund Balance at End of Year	$ -	$ -	$ 53,009	$ 53,009

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

Town of Chesapeake, West Virginia
Budgetary Comparison Schedule-Coal Severance Fund
For the Fiscal Year Ended June 30, 2013

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 3,900	$ 3,900	$ 5,008	$ 1,108
Total Revenues	3,900	3,900	5,008	1,108
Expenditures:				
Health and Sanitation	4,000	4,000	5,481	(1,481)
Total Expenditures	4,000	4,000	5,481	(1,481)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100)	(100)	(473)	(373)
Fund Balance at Beginning of Year	100	100	2,785	2,685
Fund Balance at End of Year	$ -	$ -	$ 2,312	$ 2,312

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

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

Town of Chesapeake
Kanawha County, West Virginia
12404 MacCorkle Avenue
Chesapeake, West Virginia 25315

To the Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Chesapeake, Kanawha County, (the Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Town's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Town's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards,* which are described in the accompanying schedule of findings as items 2013-003 through 2013-006.

Entity's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Huntington, West Virginia
September 25, 2015

TOWN OF CHESAPEAKE, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

FINDING NUMBER 2013-001

Material Weakness – Segregation of Duties

Proper internal control procedures require that various duties be segregated among different employees. The duties of collecting, recording, depositing, reconciling, and disbursing of monies should be separated. Segregation of duties helps prevent, detect and timely correct errors to the financial system. There is insufficient segregation of duties in the offices of the Town of Chesapeake. Specifically, we noted that the same employee prepares checks, reconciles bank accounts, prepares and makes deposits, and opens the mail for the Town.

Since there are a limited number of employees, there appears to be a limitation on what steps could be taken to properly segregate duties. The Officials should take special care to review financial documents for possible discrepancies.

Client Response:

The Client has indicated they will implement increased controls including the monitoring of financial activity by Council. Additional improvements will be made as they are financially feasible in the future.

FINDING NUMBER 2013-002

Material Weakness – Financial Reporting

We noted during our audit of the Town of Chesapeake, West Virginia that a detailed capital asset listing and depreciation schedule was not maintained for the enterprise funds. The capital asset list is comprised of broad categories listed in the Public Service Commission (PSC) report and is being depreciated by approximately two percent annually.

Accounting principles generally accepted in the United States of America require the detailed listings of assets and depreciation be charged against operations over the estimated useful lives of the respective capital assets.

We recommend the Town analyze historical documentation to properly identify capital assets and accumulated depreciation for presentation on the government-wide financial statements for business-type activities.

Officials Response:

The Town will make every effort to comply with this recommendation in the future.

FINDING NUMBER 2013-003

.

Failure to Submit Budget Revision to Appropriate the Unexpended Balance - General Fund

We determined during our audit that the Town of Chesapeake failed to submit a budget revision for the General Fund to appropriate $13,092, the actual unexpended fund balance at June 30, 2012.

West Virginia Code Section 6-9-3 states in part that:

> "…All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a Supreme Court decision stated that:

> "…Any excess or balance should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year…Ireland v Board of Education, 115 WV614, 177S.E.452(1934)."

The Town failed to revise the carryover cash balance for the General Fund and therefore, did not appropriate all funds available.

We recommend the Town review the budgetary practices relating to carryover cash balances and take the necessary actions to follow those budgetary requirements.

Officials Response:

The Town will make every effort to comply with this requirement.

FINDING NUMBER 2013-004

.

Failure to Submit Budget Revision to Appropriate the Unexpended Balance - Coal Severance Tax Fund

We determined during our audit that the Town of Chesapeake failed to submit a budget revision for the Coal Severance Tax Fund to appropriate $2,685, the actual unexpended fund balance at June 30, 2012.

West Virginia Code Section 6-9-3 states in part that:

> "…All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a Supreme Court decision stated that:

> "…Any excess or balance should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year…Ireland v Board of Education, 115 WV614, 177S.E.452(1934)."

The Town failed to revise the carryover cash balance for the Coal Severance Tax Fund and therefore, did not appropriate all funds available.

We recommend the Town review the budgetary practices relating to carryover cash balances and take the necessary actions to follow those budgetary requirements.

Officials Response:

The Town will make every effort to comply with this requirement.

FINDING NUMBER 2013-005

Expenditures in Excess of Amounts allocated in the Levy Estimate – General Tax Fund

We determined during our audit that the Town of Chesapeake incurred expenditures for certain items in the General Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the General Government categories exceeded budgeted amounts by $13,517.

West Virginia Code Section 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..."

The Town failed to implement policies and procedures which should regulate expenditures and insure that adequate revisions be made to the budget prior to actual disbursements being made.

We recommend the Town implement budgetary controls to help insure compliance with budgetary requirements.

Officials Response:

The Town will make every effort to comply with this requirement.

FINDING NUMBER 2013-006

Expenditures in Excess of Amounts allocated in the Levy Estimate – Coal Severance Tax Fund

We determined during our audit that the Town of Chesapeake incurred expenditures for certain items in the Coal Severance Tax Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the Health and Sanitation category exceeded budgeted amounts by $1,481.

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

> "…a local fiscal body shall not expend money or incur obligations:
> 5) In an unauthorized manner;
> 6) For an unauthorized purpose;
> 7) In excess of the amount allocated to the fund in the levy order;
> 8) In excess of the funds available for current expenses..."

The Town failed to implement policies and procedures which should regulate expenditures and insure that adequate revisions be made to the budget prior to actual disbursements being made.

We recommend the Town implement budgetary controls to help insure compliance with budgetary requirements.

Officials Response:

The Town will make every effort to comply with this requirement.

TOWN OF CHESAPEAKE, WEST VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-1	Material Weakness Segregation of Duties	No	Reissued as Finding 2013-001
2012-2	Material Weakness Capital Asset and Depreciation	No	Reissued as Finding 2013-002