AUDIT REPORT OF
THE MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

PROPRIETARY FUND TYPE

MAJOR FUND

Sewer

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Page(s)

Introductory Section

Municipal Officials. 1

Financial Section

Independent Auditor's Report. . . . . 2 - 5

Basic Financial Statements:

Fund Financial Statements:

Statement of Assets Arising From Cash Transactions - Governmental Funds. 6
Statement of Revenues Collected and Expenditures Paid - Governmental Funds 7
Statement of Revenues Collected and Expenditures Paid - Budget and Actual - General Fund 8
Statement of Revenues Collected and Expenditures Paid - Budget and Actual - Coal Severance Tax Fund 9
Statement of Net Position - Proprietary Fund. 10
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund. 11
Statement of Cash Flows - Proprietary Fund. 12

Notes to the Financial Statements. . . . . 13 - 21

Accompanying Information

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*. . . . . 22 - 23

Schedule of Findings and Responses . . . . . 24 - 38

Summary Schedule of Prior Audit Findings. 39

INTRODUCTORY SECTION

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2015

OFFICE	NAME	TERM
	Elective	
Mayor:	Damron B. Bradshaw	07-01-11 / 06-30-15
Recorder:	Gregory A. Hendricks	07-01-11 / 06-30-15
Council Members:	Maxine G. Akers	07-01-11 / 06-30-15
	Delano L. Cox	07-01-11 / 06-30-15
	Roger I. Green	07-01-11 / 06-30-15
	Mildred L. Grooms	07-01-11 / 06-30-15
	Thomas B. Hill	07-01-11 / 06-30-15
	Roy P. Kennedy	07-01-11 / 06-30-15
	Janet L. Searls	07-01-11 / 06-30-15

FINANCIAL SECTION

State of West Virginia
Lisa A. Hopkins
State Auditor

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Charleston, West Virginia 25305

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Chesapeake
Chesapeake, West Virginia 25315

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Municipality of Chesapeake, West Virginia (the Municipality), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the other comprehensive basis of accounting prescribed by the State Auditor's Office of West Virginia as described in Note I; this includes determining that the cash basis of accounting for the governmental funds is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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. All information included in these financial statements is the representation of the officials of the Municipality of Chesapeake, West Virginia.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As discussed in Note I, the Municipality adopted the provisions of the other comprehensive basis of accounting (OCBOA) prescribed by the State Auditor's Office of West Virginia, which permits Class IV municipalities to present the governmental funds on the cash basis of accounting. Furthermore, the OCBOA described does not require government-wide financial statements for governmental activities or business-type activities. Therefore, the financial statements are not presented nor intended to be presented in accordance with accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note I and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to previously do not present fairly the financial position of the governmental activities, business-type activities, and each major governmental fund, of the Municipality of Chesapeake, West Virginia, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on Regulatory Basis of Accounting and Major Proprietary Fund

Management has not adopted a policy in order to classify fund balance as required by GASB 54. GASB 54 requires that fund balance classifications present the extent to which the government is bound to observe constraints imposed upon the use of those resources. The amount by which this departure would affect fund balance classifications is not reasonably determinable.

Management has not implemented proper controls to ensure that all source documentation for expenses and revenues are maintained. Accounting principles generally accepted in the United States of America require that source documentation be available to support amounts presented on the financial statements. The amount by which this departure would affect the assets, liabilities, revenues, expenses, and fund balance is not reasonably determinable.

Management has not adopted a policy to ensure that all capital assets meeting the capitalization policy for the Sewer fund of the Municipality of Chesapeake, West Virginia are being properly capitalized and depreciated. Furthermore, current additions, deletions, and depreciation expenses do not accurately reflect changes in the current year. The amount by which the net assets and expenditures of the Sewer Fund would be affected is not reasonably determinable.

Adverse Opinion on the Regulatory Basis of Accounting and Major Proprietary Fund

In our opinion due to the effects of the matters described in the "Basis for Adverse Opinion on Regulatory Basis of Accounting and Major Proprietary Fund" paragraphs, the financial statements referred to above do not present fairly, in all material respects, the financial position of each major governmental fund and the major proprietary fund of the Municipality of Chesapeake, West Virginia, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Municipality has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Municipality's internal control over financial reporting and compliance.

Respectfully submitted,



Lisa A. Hopkins
West Virginia State Auditor
Charleston, West Virginia

November 30, 2016

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF ASSETS ARISING FROM
CASH TRANSACTIONS - GOVERNMENTAL FUNDS
June 30, 2015

	General	Coal Severance Tax	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS			
Assets:			
Current:			
Cash and cash equivalents	$ 10,179	$ 74	$ 10,253
Total assets	10,179	74	10,253
Total assets and deferred outflows of resources	$ 10,179	$ 74	$ 10,253
Fund balances:			
Unassigned	10,179	74	10,253
Total fund balances	10,179	74	10,253
Total liabilities, deferred inflows and fund balances	$ 10,179	$ 74	$ 10,253

See accompanying notes to the financial statements.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF REVENUES COLLECTED
AND EXPENDITURES PAID -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General	Coal Severance Tax	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem property taxes	$ 117,021	$ --	$ 117,021
Business & occupation tax	110,320	--	110,320
Alcoholic beverages tax	221	--	221
Utility services tax	39,715	--	39,715
Gas and oil severance tax	441	--	441
Other taxes	25,374	--	25,374
Coal severance tax	--	5,636	5,636
Licenses and permits	993	--	993
Charges for services	104,804	--	104,804
Fines and forfeits	4,413	--	4,413
Reimbursements	1,103	--	1,103
IRP fees	42,473	--	42,473
Miscellaneous	7,172	--	7,172
Total revenues	454,050	5,636	459,686
EXPENDITURES			
Current:			
General government	156,670	--	156,670
Public safety	137,493	--	137,493
Streets and transportation	25,803	--	25,803
Health and sanitation	148,693	5,916	154,609
Culture and recreation	5,770	--	5,770
Total expenditures	474,429	5,916	480,345
Net change in fund balances	(20,379)	(280)	(20,659)
Fund balances - beginning	30,558	354	30,912
Fund balances - ending	$ 10,179	$ 74	$ 10,253

See accompanying notes to the financial statements.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF REVENUES COLLECTED AND EXPENDITURES PAID - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Ad valorem property taxes	$ 106,074	$ 106,074	$ 117,021	$ 10,947
Business & occupation tax	100,000	100,000	110,320	10,320
Alcoholic beverages tax	200	200	221	21
Utility services tax	36,000	36,000	39,715	3,715
Gas and oil severance tax	400	400	441	41
Other taxes	23,000	23,000	25,374	2,374
Licenses and permits	900	900	993	93
Charges for services	95,000	95,000	104,804	9,804
Fines and forfeits	4,000	4,000	4,413	413
Reimbursements	1,000	1,000	1,103	103
IRP fees	38,500	38,500	42,473	3,973
Miscellaneous	6,500	6,500	7,172	672
Total revenues	411,574	411,574	454,050	42,476
EXPENDITURES				
Current:				
General government	143,900	143,900	156,670	(12,770)
Public safety	122,100	126,286	137,493	(11,207)
Streets and transportation	23,700	23,700	25,803	(2,103)
Health and sanitation	136,574	136,574	148,693	(12,119)
Culture and recreation	5,300	5,300	5,770	(470)
Total expenditures	431,574	435,760	474,429	(38,669)
Net change in fund balance	(20,000)	(24,186)	(20,379)	3,807
Fund balance - beginning	20,000	24,186	30,558	6,372
Fund balance - ending	$ --	$ --	$ 10,179	$ 10,179

See accompanying notes to the financial statements.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF REVENUES COLLECTED AND EXPENDITURES PAID - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Coal severance tax	$ 3,900	$ 3,900	$ 5,636	$ 1,736
Total revenues	3,900	3,900	5,636	1,736
EXPENDITURES				
Current:				
Health and sanitation	4,000	4,000	5,916	(1,916)
Total expenditures	4,000	4,000	5,916	(1,916)
Net change in fund balance	(100)	(100)	(280)	(180)
Fund balance - beginning	100	100	354	254
Fund balance - ending	$ --	$ --	$ 74	$ 74

See accompanying notes to the financial statements.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2015

	Sewer
ASSETS	
Current:	
Cash and cash equivalents	$ 170,332
Accounts	50,671
Other	30,000
Prepaid expenses	82
Total current assets	251,085
Noncurrent assets:	
Restricted assets:	
Regular account	209,125
Total restricted assets	209,125
Capital assets:	
Nondepreciable:	
Land	103,564
Depreciable:	
Buildings	22,782
Machinery and equipment	1,151,084
Less: accumulated depreciation	(1,009,850)
Total capital assets (net of accumulated depreciation)	267,580
Total noncurrent assets	476,705
Total assets	727,790
LIABILITIES	
Current liabilities payable from current assets:	
Accounts payable	$ 1,865
Payroll payable	3,160
Due to:	
Other governments	105,542
Total liabilities	110,567
NET POSITION	
Net investment in capital assets	267,580
Restricted for debt service	209,125
Unrestricted	140,518
Total net position	$ 617,223

See accompanying notes to the financial statements.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2015

	Sewer
Operating revenues:	
Sales and services to customers	$ 267,386
Discount and penalties	8,469
Total revenues	275,855
Operating expenses:	
Personal services	78,849
Contractual services	11,368
Taxes	27,592
Miscellaneous	42,291
Fuel and oil	5,887
Liability insurance	3,375
Utilities	191,880
Depreciation	6,459
Total operating expenses	367,701
Operating income (loss)	(91,846)
Nonoperating revenues (expenses):	
Interest revenue	232
Intergovernmental	(13,970)
Total nonoperating revenues (expenses)	(13,738)
Change in net position	(105,584)
Net position at beginning of year (Restated Note III. F.)	722,807
Net position at end of year	$ 617,223

See accompanying notes to the financial statements.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2015

	Sewer
Cash flows from operating activities:	
Cash received from customers	$ 224,965
Cash paid for goods and services	(181,110)
Cash paid to employees	(75,689)
Net cash provided (used) by operating activities	(31,834)
Cash flows from noncapital financing activities:	
Miscellaneous	(13,970)
Net cash provided (used) by noncapital financing activities	(13,970)
Cash flows from capital and related financing activities:	
Proceeds from the sales of capital assets	25,115
Net cash provided (used) by capital and related financing activities	25,115
Cash flows from investing activities:	
Interest received	232
Net cash provided (used) by investing activities	232
Net increase (decrease) in cash and cash equivalents	(20,457)
Cash and cash equivalents at beginning of year (including $0 in restricted accounts)	399,914
Cash and cash equivalents at end of year (including $209,125 in restricted accounts)	$ 379,457
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	$ (91,846)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	6,459
Decrease (increase) in accounts receivable	(24,315)
Decrease (increase) in other receivable	(30,000)
Decrease (increase) in prepaid expenses	3,425
Increase (decrease) in accounts payable	(4,259)
Increase (decrease) in payroll payable	3,160
Increase (decrease) in due to other governments	105,542
Net cash provided by operations	$ (31,834)

See accompanying notes to the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Chesapeake, West Virginia (the Municipality), 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 seven-member council. The accompanying financial statements present the government 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.

Joint Ventures

The Municipality has entered into an agreement with the Municipality of Marmet to assist with the operational costs a Sewer Treatment Facility. The Municipality is required to make payments to assist with bond repayment and a fee for gallons treated. The facility is owned and operated by the Municipality of Marmet.

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 major 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 the proprietary fund.

The government reports the following major proprietary fund:

The *Sewer fund* serves the citizens of the Municipality of Chesapeake 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 the Sewer Fund (enterprise fund) is charges to customers for services. Operating expenses for the enterprise fund include the 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 and Investments

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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* the Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) 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. 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. The composition of investments and fair values are presented in Note III.A.

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 the S.E.C. which have fund assets over three hundred million dollars.

2. Receivables and Payables

Trade Receivables

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Property Tax Receivable

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 not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 2015, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense
Class II	$ 16,588,188	23.16 cents
Class IV	$ 16,805,391	46.32 cents

3. Restricted Assets

Certain proceeds of the Sewer Fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

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 of $5,000 or more 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.

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, net of interest earned on the invested proceeds during the same period.

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

Assets	Years
Buildings	40
System infrastructure	40-50
Transmission and distribution	40-50
Machinery and equipment	05-10

5. Compensated Absences

It is the government's policy to require employees to use all earned vacation time by the end of the fiscal year; therefore no liability is reported for vacation leave. No liability is reported for unpaid accumulated sick leave.

6. Deferred Outflows/Inflows of Resources - Proprietary Funds

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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 appropriated budget is 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. The governing body made the following material supplementary budgetary appropriations throughout the year:

Amount	Description
$ 4,186	Public Safety Expenditure Increase

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the General Fund by $38,669. These over expenditures were funded by available fund balance.

For the year ended June 30, 2015, expenditures exceeded appropriations in the Coal Severance Tax Fund by $1,916. This over expenditure was funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government had the following investments:

		Credit Risk Rating	
		Standard & Poor's	Moody's Investment
Primary Government	Fair Value	and Fitch	Services
Municipal Bond Commission	$ 209,125	not rated	not rated

Custodial Credit Risk

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. At year end, the government's bank balances were $180,585, which were fully collateralized under FDIC limits.

For investments, the government could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk. At year end, the government's investment balances were $209,125, which was fully collateralized with the West Virginia Municipal Bond Commission.

A reconciliation of cash and investments as shown on the Balance Sheet - Governmental Funds, and Statement of Net Position - Proprietary Fund of the government is as follows:

Cash and cash equivalents	$ 180,585
Investments - collateralized and secured	209,125
Total	$ 389,710

Cash and cash equivalents	$ 180,585
Investments-restricted	209,125
Total	$ 389,710

B. Receivables

Receivables at year end for the government's individual major proprietary fund, including applicable allowances for uncollectible accounts, are as follows:

	Sewer
Receivables:	
Accounts	$ 54,671
Other	30,000
Gross Receivables	84,671
Less: Allowance for Uncollectible	(4,000)
Net Total Receivables	$ 80,671

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Proprietary fund:				
Capital assets, not being depreciated:				
Land	$ 103,564	$ --	$ --	$ 103,564
Total capital assets, not being depreciated	103,564	--	--	103,564
Capital assets being depreciated:				
Buildings	22,782	--	--	22,782
Machinery and equipment	1,176,199	--	(25,115)	1,151,084
Less: accumulated depreciation	(1,003,391)	(6,459)	--	(1,009,850)
Total capital assets being depreciated, net	195,590	(6,459)	(25,115)	164,016
Proprietary fund capital assets, net	$ 299,154	$ (6,459)	$ (25,115)	$ 267,580

Depreciation expense was charged to functions/programs of the government as follows:

Proprietary fund:	
Sewer	$ 6,459
Total depreciation expense-proprietary fund	$ 6,459

D. Interfund Receivables and Payables

The General Fund is presented on the cash basis of accounting and, therefore, interfund balances are not reflected on the General fund's balance sheet. The composition of interfund balances for the proprietary fund as of June 30, 2015, is as follows:

Interfund receivables/payables:

Receivable Fund	Payable Fund	Purpose	Amount
Sewer	General	Grant Matching Funds	$ 30,000

E. Restricted Assets

The balance of the restricted asset accounts for the government are as follows:

	Proprietary Fund
Revenue bond operations and maintenance account	$ 209,125

F. Prior Period Adjustment

The following net position of the proprietary fund required restatement at the beginning of the year as follows:

	Sewer
Net position, as previously stated	$ 755,862
less:	
Asset errors	(33,055)
Net position, restated	$ 722,807

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 insurance with the State Board of Risk for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010. Workers compensation coverage is provided for this entity by BrickStreet.

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

B. Contingent Liabilities

It is the opinion of the government's counsel that there are no pending lawsuits or unasserted claims against the Municipality of Chesapeake, West Virginia.

ACCOMPANYING INFORMATION

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Lisa A. Hopkins
State Auditor

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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*

Independent Auditor's Report

Honorable Mayor and Council
Municipality of Chesapeake
Chesapeake, West Virginia 25315

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 accompanying regulatory-basis financial statements of each major fund of the Municipality of Chesapeake, West Virginia (the Municipality), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated November 30, 2016. In that report, our opinion was adverse due to the Municipality adopting the other comprehensive basis of accounting as prescribed by the West Virginia Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. With respect to the regulatory basis of accounting, our opinion was adverse for each major fund due management not implementing GASB 54, and not properly accounting for capital assets within the enterprise fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) to determine the 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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001 through 2015-006 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2015-007 through 2015-013.

Entity's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Respectfully submitted,

Lisa A. Hopkins
West Virginia State Auditor
Charleston, West Virginia

November 30, 2016

Classification of Fund Balances - Governmental Funds
2015-001

CONDITION:

It was noted during this examination that the Municipality of Chesapeake failed to report ending fund balance classifications in accordance with Governmental Standards Board Statement Number 54.

CRITERIA:

Governmental Accounting Standards Board (GASB) Statement Number 54 states in part:

"...Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor restraints in the specific purposes for which amounts in those funds can be spent...."

CAUSE:

Officials were unaware of the requirement to classify fund balances per GASB Statement No. 54 in the financial statements.

EFFECT:

The financial statements of the Municipality failed to recognize the GASB Statement No. 54 classifications of the fund balances within the governmental funds. Based on this condition we issued an adverse opinion on the entity's financial statements related to the governmental funds.

RECOMMENDATION:

Municipal officials should review the requirements set forth in GASB Statement No. 54 and accurately classify the fund balances of the governmental funds.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Municipal officials will review the requirements set forth in GASB Statement No. 54 and will endeavor to classify the ending fund balances of the governmental funds in future years.

Source Documents
2015-002

CONDITION:

We determined during our examination that management of the Municipality of Chesapeake did not maintain all source documents related to payroll expenses and grant funding. Specifically documentation verifying tax information and current grant expenditures and transactions were not maintained.

CRITERIA:

Adequate internal control procedures with regard to documentation of revenues and expenditures require that all source documents be maintained.

CAUSE:

Officials who were responsible for the maintenance of accounting records did not properly maintain adequate controls.

EFFECT:

We were unable to verify all payroll and grant expenditures.

RECOMMENDATION:

The Municipality should evaluate the current procedures for the maintenance of source documents and establish a policy which will ensure that all source documents are maintained for future reference.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that they are in the process of reviewing their filing systems and will maintain all records in the future years.

Detailed Capital Asset & Depreciation Schedules -
Sewer Fund
2015-003

CONDITION:

The Municipality of Chesapeake failed to maintain detailed capital asset and depreciation schedules within the enterprise fund. The capital asset list is comprised of broad categories listed in the Public Service Commission (PSC) report and being depreciated by various percentages within each group. In addition current asset changes could not be verified.

CRITERIA:

Generally accepted accounting principles dictate that depreciation be charged against operations over the estimated useful lives of the capital asset.

CAUSE:

The Municipality has no controls in place to ensure that a particular asset within the enterprise funds is separately stated and depreciated.

EFFECT:

By not having detailed capital asset schedules, the Municipality loses custodial control over certain assets within the enterprise fund that are susceptible to theft. Accumulated depreciation records are not kept for categories, but for the total accumulated depreciation on all capital assets. This creates the opportunity for excess depreciation to be recorded within certain categories (especially those that have shorter useful lives).

RECOMMENDATION:

The Municipality should analyze past PSC reports to determine what capital assets can be properly identified and included on a detailed capital asset schedule. At the very least, the Municipality should calculate accumulated depreciation on categories to ensure that excessive depreciation is not occurring. The Municipality should identify as many additions in past years as possible but should also be cognizant of cost/benefit considerations of identifying all assets. The primary concern in both funds is the excessive depreciation of certain categories of assets.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that they will maintain asset schedules in future years.

Segregation of Duties
2015-004

CONDITION:

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from the transactions were not assigned to different individuals.

CRITERIA:

Proper internal control dictates responsibility for approving, executing and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas.

CAUSE:

The entity has not implemented proper control procedures to sufficiently segregate duties.

EFFECT:

Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

RECOMMENDATION:

The Municipality should distribute among the accounting staff the duties of approving, executing and recording transactions to the extent as being economically practicable.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that further segregation of duties is not economically feasible at this time.

Supporting Documentation for Expenditures
2015-005

CONDITION:

Accounting records including supporting invoices and various reports could not be readily acquired.

CRITERIA:

Documentation should be retained regarding expenditures to ensure proper accountability in the area of expenditures.

CAUSE:

The Municipality does not have controls in place to ensure that source documentation is maintained.

EFFECT:

The Municipality is failing to exercise proper control over disbursements and source documents.

RECOMMENDATION:

All financial ledgers, invoices, and reports for all expenditures should be maintained for inspection.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that they are reviewing their filing system, installing new accounting software, and any necessary changes will be made in future years.

Controls Over Financial Statement Preparation
2015-006

CONDITION:

We noted during our audit of the Municipality of Chesapeake that employees or management did not possess the requisite amount of knowledge or experience necessary to prevent, detect and correct a material misstatement in the financial statements prepared in accordance with generally accepted accounting principles.

CRITERIA:

Paragraph 18 of Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit,* states in part:

> "Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:
>
> Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.
>
> Controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements."

Furthermore, paragraph 19 states in part;

> "Each of the following is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.
>
> Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Controls Over Financial Statement Preparation
2015-006 (continued)

CAUSE:

Inadequate policies and procedures related to controls necessary to minimize the risk of a material misstatement of financial statements prepared in accordance with generally accepted accounting principles.

EFFECT:

A significant potential exists for misstatements to occur in the financial statements without being detected by employees or management in a timely manner.

RECOMMENDATION:

The Municipality of Chesapeake should develop policies and procedures to ensure financial statements are prepared in accordance with generally accepted accounting principles. This may be accomplished by employing qualified personnel that are knowledgeable with the complex requirements associated with governmental financial statements prepared in accordance with generally accepted accounting principles. Conversely, the entity may consider contracting with an outside firm knowledgeable in this specialized area to help with this management function.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they will review their records and acquire the assistance of outside professionals where necessary to ensure all records are accurately reported in future years.

Preparation of Financial Statements
2015-007

CONDITION:

During our examination, we determined that the officials of the Municipality of Chesapeake, West Virginia failed to prepare financial statements for the fiscal year ended June 30, 2015 within one hundred and twenty days after the beginning of the following fiscal year.

CRITERIA:

West Virginia Code §8-13-23 states in part that:

> "Every town or village, within one hundred twenty days after the beginning of each fiscal year, shall prepare on a form to be prescribed by the state auditor a sworn statement revealing:(1)The receipts and expenditures of the town or village during the previous fiscal year arranged under descriptive headings;(2) the name of each person who received money from any fund during the previous fiscal year, together with the amount received and the purpose for which paid; and (3) all debts of the town or village, the purpose for which each debt was contracted, its due date, and to what date the interest on the debt has been paid: Provided, That all salaries, receipts, payments to each individual vendor, and expenditures to employees of Municipal offices, companies and departments may be published in the aggregate."

CAUSE:

The Municipality failed to establish policies and procedures to insure financial statements were prepared and presented within the required time period.

EFFECT:

Financial statements were not available for review, which required a significant amount of reconstruction from source records.

RECOMMENDATION:

Municipal officials should review this statute and comply with the provisions set forth therein.

AUDITED AGENCY'S RESPONSE:

Municipal officials stated they are acquiring accounting software to ensure that all financial statements are presented in future years.

Failure to Submit Budget Revision to Appropriate the Unexpended Balance - Coal Severance Tax Fund
2015-008

CONDITION:

We determined during our audit that the officials of the Municipality of Chesapeake failed to submit a budget revision for the Coal Severance Tax Fund to appropriate $254 , the actual unexpended fund balance at June 30, 2014.

CRITERIA:

West Virginia Code §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 State Supreme Court decision stated that:

> "...Any excesses or balances 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 WV 614, 177 S.E. 452 (1934)."

CAUSE:

The Municipality failed to revise the carryover balance for the Coal Severance Tax Fund.

EFFECT:

The Municipality did not appropriate all funds available.

RECOMMENDATION:

The Municipality should exercise proper budgetary practices.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated proper budgetary practices will be followed in future years.

Failure to Submit Budget Revision to Appropriate the Unexpended Balance - General Fund
2015-009

CONDITION:

We determined during our audit that the officials of the Municipality of Chesapeake failed to submit a budget revision for the General Fund to appropriate $6,372 of the actual unexpended fund balance at June 30, 2014.

CRITERIA:

West Virginia Code §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 State Supreme Court decision stated that:

> "...Any excesses or balances 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, 115WV614, 177S.E.452(1934)."

CAUSE:

The Municipality of Chesapeake failed to revise the carryover balance of the General Fund.

EFFECT:

The Municipality did not appropriate all funds available for expenditure.

RECOMMENDATION:

The Municipality should exercise proper budgetary practices.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated proper budgetary practices will be followed in future years.

Insufficient Rates - Sewer System
2015-010

CONDITION:

It was determined during our examination that the rates the Municipality charges for sewerage service are not sufficient to pay all obligations of the system. The Sewerage Fund incurred a net operating loss of $91,846 during the fiscal year ended June 30, 2015.

CRITERIA:

West Virginia Code §16-13-16 states in part that:

> "...Such rates, fees or charges shall be sufficient in each year for the payment of the proper and reasonable expenses of operation, repair, replacements and maintenance of the works and for the payment of the sums herein required to be paid into the sinking fund. Revenues collected pursuant to this section shall be considered the revenues of the works."

CAUSE:

The Municipality failed to assess sewerage rates sufficient to meet all expenses and obligations of the system.

EFFECT:

The Municipality incurred a net loss for the current year and also had a negative cash flow.

RECOMMENDATION:

Municipal officials are directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they are seeking rate studies to determine what necessary increase needs to occur in future years.

Maintenance of Accounting Records
2015-011

CONDITION:

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

1. Maintain general ledgers
2. Maintain financial statements
3. Maintain Capital Asset Schedules
4. Maintain all expenditure, revenue, and payroll documentation
5. Report all Bank statements of the Municipality for audit
6. Maintain all necessary grant documentation for audit
7. Properly reconcile and report due to/from information

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 Municipality of Chesapeake failed to keep a record of all transactions which took place during the year.

Maintenance of Accounting Records
2015-011 (continued)

EFFECT:

The Municipality of Chesapeake did not have adequate records for financial statement preparation and certain transactions could not be properly verified. This necessitated an adverse audit opinion.

RECOMMENDATION:

The Municipality should maintain adequate accounting records.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they will endeavor to correctly maintain its accounting records in the future.

Expenditure in Excess of Amounts Allocated in the Levy Estimate - General Fund
2015-012

CONDITION:

It was determined during this examination that Municipal officials 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 as last revised. Specifically, expenditures in the General Government, Public Safety, Streets and Transportation, Health and Sanitation, and Culture and Recreation categories exceeded budgeted amounts by $12,770, $11,207, $2,103, $12,119, and $470, respectively.

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 Municipality 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.

EFFECT:

By not exercising adequate policies and procedures, the Municipality compromises its budgetary control.

RECOMMENDATION:

The Municipality should implement controls that will insure compliance with budgetary requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that better budgetary control will be exercised in the future to prevent over expenditures.

Expenditure in Excess of Amounts Allocated in the Levy Estimate - Coal Severance Tax Fund
2015-013

CONDITION:

It was determined during this examination that Municipal officials 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 as last revised. Specifically, expenditures in the Health and Sanitation category exceeded budgeted amounts by $1,916.

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 Municipality 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.

EFFECT:

By not exercising adequate policies and procedures, the Municipality compromises its budgetary control.

RECOMMENDATION:

The Municipality should implement controls that will insure compliance with budgetary requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that better budgetary control will be exercised in the future to prevent overexpenditures.

MUNICIPALITY OF CHESAPEAKE, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2015

Status of Prior Year Audit Findings

Finding Number	Title	Status
2014-001	Segregation of Duties	Not Resolved
2014-002	Financial Reporting	Not Resolved
2014-003	Failure to Submit Budget Revision to Appropriate the Unexpended Balance - General Fund	Not Resolved
2014-004	Failure to Submit Budget Revision to Appropriate the Unexpended Balance - Coal Severance Tax Fund	Not Resolved
2014-005	Expenditures in Excess of Amount allocated in the Levy Estimate - General Fund	Not Resolved
2014-006	Expenditures in Excess of Amount allocated in the Levy Estimate - Coal Severance Tax Fund	Not Resolved