

**Village of Chippewa Lake
Medina County, Ohio**

* * *

Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Members of Council
Village of Chippewa Lake
P. O. Box 25
Chippewa Lake, Ohio 44215-0025

We have reviewed the *Independent Auditor's Report* of the Village of Chippewa Lake, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Chippewa Lake is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 25, 2006

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**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

**FOR THE YEAR ENDED
DECEMBER 31, 2004**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 9, 2006

Mayor and Members of Council
Village of Chippewa Lake
Chippewa Lake, OH 44215

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Chippewa Lake, Medina County, Ohio (the Village), as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village of Chippewa Lake's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting principles and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Chippewa Lake, Medina County, Ohio as of December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kea & Associates, Inc.

VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Revenue	Capital Projects	Expendable Trust	Total (Memorandum Only)
CASH RECEIPTS					
Taxes	\$ 108,417	\$ 2,780	\$ 0	\$ 0	\$ 111,197
Intergovernmental	52,994	64,143	164,150	0	281,287
Special Assessments	0	0	32,793	0	32,793
Fines, Licenses, and Permits	1,675	0	0	0	1,675
Interest	886	137	0	429	1,452
Miscellaneous	9,301	0	0	0	9,301
Total Cash Receipts	173,273	67,060	196,943	429	437,705
CASH DISBURSEMENTS					
Security of Persons and Property	49,890	0	0	0	49,890
Leisure Time Activities	26,521	0	0	0	26,521
Community Environment	16,956	0	0	0	16,956
Transportation	0	48,856	0	0	48,856
General Government	62,446	17,967	0	0	80,413
Capital Outlay	0	0	181,195	0	181,195
Total Cash Disbursements	155,813	66,823	181,195	0	403,831
Total Receipts Over (Under) Disbursements	17,460	237	15,748	429	33,874
Fund cash balances, beginning of year	112,034	34,576	0	80,923	227,533
Fund cash balances, end of year	\$ 129,494	\$ 34,813	\$ 15,748	\$ 81,352	\$ 261,407
Reserve for encumbrances, December 31, 2004	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chippewa Lake, Medina County, Ohio is a body political and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, including park operations (leisure time activities), road maintenance, and police services. The Village contracted police services with the County Sheriff's department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Ohio, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or permitted by the Auditor of State. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Interest in the pool is presented as "fund cash balances" on the combined statement of cash receipts, cash disbursements, and changes in fund cash balances.

During 2004, the Village's investments were limited to investments in STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Certificates of deposit and repurchase agreements are reported at cost. The Village did not invest in either of these during 2004.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

D. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

The Special Revenue Funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund – this fund receives gasoline taxes and motor vehicle tax money for constructing, maintaining and repairing Village streets.

FEMA- this fund receives federal money for flood problems that may arise in the Village.

Capital Projects

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by trust funds. The Village had the following significant Capital Projects Funds:

Issue II Fund - this fund received monies from the State for Issue II projects involving Sewers and Bridge repairing.

Fiduciary Funds (Trust)

The Trust Funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Non-Expendable Trust Fund. Other Trust Funds are classified as Expendable. The Village had the following Expendable Trust Fund:

Elizabeth Pochedley Trust Fund – this fund is used to account for private donations received to be used on development and maintenance of the Village park and grounds.

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budget receipts) plus unencumbered cash as of January 1. The county budget commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

NOTE 2: EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits.

Deposits

At year-end, the carrying amount of the Village's deposits was \$250,936, and the bank balance was \$247,903. Of the bank balance, \$100,000 was covered by federal depository insurance. \$147,903 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the Village investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the Village or its agent in the Village's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Village name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village's name.

The Village's only investment during 2004 was in STAR Ohio. This non-categorized investment is reported at its fair market value of \$10,471.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 was as follows:

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

Budgeted vs. Actual Receipts

	2004		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 220,847	\$ 173,273	\$ (47,574)
Special Revenue	63,465	67,060	3,595
Capital Projects	32,793	196,943	164,150
Expendable Trust	81,623	429	(81,194)
Total	\$ 398,728	\$ 437,705	\$ 38,977

Budgeted vs. Actual Disbursements

	2004		
	Budgeted	Actual	Variance
	Disbursements	Disbursements	
General	\$ 252,001	\$ 155,813	\$ 96,188
Special Revenue	88,260	66,823	21,437
Capital Projects	32,793	181,195	(148,402)
Expendable Trust	80,000	0	80,000
Total	\$ 453,054	\$ 403,831	\$ 49,223

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village of Chippewa Lake. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed on the property owners, who must file a list of such property taxes to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

NOTE 5: RETIREMENT SYSTEMS

Public Employees Retirement System

The Village Council, Village Clerk, and other employees of the Village belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

NOTE 6: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 9, 2006

Mayor and Members of Council
Village of Chippewa Lake
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the accompanying financial statements of Village of Chippewa Lake, Medina County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 9, 2006, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We have 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Chippewa Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted a matter involving the internal control over financial reporting and its operation that we consider to be a material weakness, which is disclosed in the accompanying schedule of findings as item 2004-001. We also noted other immaterial matters involving the internal control over financial reporting that we have reported to management of the Village of Chippewa Lake in a separate letter dated June 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Chippewa Lake's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 9, 2006.

This report is intended solely for the information and use of Council Members, management, and others within the village, and it is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

**Village of Chippewa Lake
Medina County
Schedule of Findings
December 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Material Weakness

Auditor of State Technical Bulletin 2002-004 requires that when payments are made directly to a contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate fund equal to the amount disbursed by the State.

During 2004, the State of Ohio Public Works Commission (OPWC) paid \$164,150 (Issue II Grant monies) directly to contractors. These transactions were not appropriately accounted for based on the aforementioned criteria. This condition resulted in a loss of accountability over the revenue and expenditures of the Issue II project.

When the Village participates in an Issue II project, it must for each project awarded, establish a capital projects fund to account for both the revenue and expenditure of the Issue II monies and local matching funds. The financial statement for 2004 was adjusted to properly present the Issue II state grant.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

**VILLAGE OF CHIPPEWA LAKE
MEDINA COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 8, 2006**