

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

**FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002**



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of Chippewa Lake
P.O. Box 25
Chippewa Lake, Ohio 44215

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, 2002 through December 31, 2003. 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.

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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 18, 2004

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

**FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 26, 2004

To the Members of Council
Village of Chippewa Lake
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Chippewa Lake, Medina County, as of and for the years ended December 31, 2003 and 2002, 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 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 the 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 in Note 1, the Village prepares its financial statements on a 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and reserves for encumbrances of the Village of Chippewa Lake, Medina County, as of December 31, 2003 and 2002, and the cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 26, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board of Directors, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and it is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Special Revenue	Expendable Trust	Total (Memorandum Only)
CASH RECEIPTS				
Taxes	\$ 83,064	\$ 3,066	\$ 0	\$ 86,130
Intergovernmental	58,776	53,298	0	112,074
Fines, Licenses, and Permits	1,195	0	0	1,195
Interest	632	260	47	939
Miscellaneous	10,953	0	0	10,953
Total Cash Receipts	154,620	56,624	47	211,291
CASH DISBURSEMENTS				
Security of Persons and Property	57,323	1	0	57,324
Leisure time Activities	23,591	0	60	23,651
Community Environment	15,686	0	0	15,686
Basic Utility Services	1	0	0	1
Transportation	7,016	63,691	0	70,707
General Government	57,028	0	0	57,028
Total Cash Disbursements	160,645	63,692	60	224,397
Total Receipts Over (Under) Disbursements	(6,025)	(7,068)	(13)	(13,106)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets	74,213	0	79,704	153,917
Total Other Financing Sources (Uses)	74,213	0	79,704	153,917
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	68,188	(7,068)	79,691	140,811
Fund cash balances, beginning of year	43,846	41,644	1,232	86,722
Fund cash balances, end of year	\$ 112,034	\$ 34,576	\$ 80,923	\$ 227,533

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Expendable Trust	Total (Memorandum Only)
CASH RECEIPTS				
Taxes	\$ 83,779	\$ 3,041	\$ 0	\$ 86,820
Intergovernmental	61,906	33,138	0	95,044
Fines, Licenses, and Permits	1,345	0	0	1,345
Interest	743	360	17	1,120
Miscellaneous	5,992	0	0	5,992
Total Cash Receipts	153,765	36,539	17	190,321
CASH DISBURSEMENTS				
Security of Persons and Property	46,064	7,921	0	53,985
Leisure time Activities	19,696	0	784	20,480
Community Environment	16,300	0	0	16,300
Basic Utility Services	26,802	0	0	26,802
Transportation	0	22,660	0	22,660
General Government	51,102	0	0	51,102
Total Cash Disbursements	159,964	30,581	784	191,329
Total Receipts Over (Under) Disbursements	(6,199)	5,958	(767)	(1,008)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(6,199)	5,958	(767)	(1,008)
Fund cash balances, beginning of year	50,045	35,686	1,999	87,730
Fund cash balances, end of year	\$ 43,846	\$ 41,644	\$ 1,232	\$ 86,722

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 YEARS ENDED
DECEMBER 31, 2003 AND 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chippewa Lake, Medina County, 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. Beginning in July 2002, 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002

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.

Police Fund – this fund receives monies from a special police levy to provide for security of persons and property.

COPS FAST Grant Fund – this fund receives federal and state grant money to provide additional police services.

Universal Hiring Policing Grant Fund – this fund receives state grant money to provide additional policing services.

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:

Pochedley Trust Fund – this fund receives interest distributions for the development and maintenance of the Village park and grounds.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002

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 2003 and 2002 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.

NOTE 2: EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Deposits	\$217,178	\$ 76,481
Investment in State Treasurer's Investment Pool	<u>10,355</u>	<u>10,241</u>
	<u>\$227,533</u>	<u>\$ 86,722</u>

Deposits

Deposits are covered by Federal Depository Insurance and security pledged as collateral.

Investments

Investments in Star Ohio are not evidenced by securities that exist in physical or book entry form.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 was as follows:

Budgeted vs. Actual Receipts

	2003			2002		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 145,772	\$ 228,833	\$ 83,061	\$ 152,548	\$ 153,765	\$ 1,217
Special Revenue	28,130	56,624	28,494	31,050	36,539	5,489
Trust	20	79,751	79,731	60	17	(43)
Total	\$ 173,922	\$ 365,208	\$ 191,286	\$ 183,658	\$ 190,321	\$ 6,663

Budgeted vs. Actual Disbursements

	2003			2002		
	Budgeted Disbursements	Actual Disbursements	Variance	Budgeted Disbursements	Actual Disbursements	Variance
General	\$ 179,754	\$ 160,645	\$ 19,109	\$ 200,054	\$ 159,964	\$ 40,090
Special Revenue	66,001	63,692	2,309	74,000	30,581	43,419
Trust	1,000	60	940	1,000	784	216
Total	\$ 246,755	\$ 224,397	\$ 22,358	\$ 275,054	\$ 191,329	\$ 83,725

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 taxes on personal and real property located within the Village.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
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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.

NOTE 5: RETIREMENT SYSTEMS

Public Employees Retirement System

The Board of Trustees, 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2003. The Village has paid all contributions required through December 31, 2003.

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

May 26, 2004

To the Members of Council
Village of Chippewa Lake
Medina County, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the Village of Chippewa Lake, Medina County, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 26, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Chippewa Lake financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Chippewa Lake in a separate letter dated May 26, 2004.

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 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 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 no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted other 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 May 26, 2004.

This report is intended for the information of the Board of Trustees, management, and others within the organization, and it is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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**Auditor of State
Betty Montgomery**

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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
JULY 1, 2004**