



**Mary Taylor, CPA**  
Auditor of State



**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Chippewa Township  
Wayne County  
14228 Galehouse Road  
P.O. Box 265  
Doylestown, Ohio 44230

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Township, Wayne County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund (2006 only), Road and Bridge Fund, Special Levy – Fire and EMS Fund, and Special Levy – Police Fund (2006 only) thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007, on our consideration of the Township'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 31, 2007

Chippewa Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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This discussion and analysis of Chippewa Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$277,570, or 12.1 percent, a moderate change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and the Gasoline Tax Fund.

The Township's general receipts are primarily property taxes. These receipts represent 58.2 percent of the total cash received for governmental activities during the year.

Key highlights for 2005 are as follows:

Net assets of governmental activities were increased \$196,705, or 9.3 percent. The fund most affected by the increase in cash and cash equivalents was the Special Levy – Fire and EMS Fund.

The Township's general receipts are primarily property taxes. These receipts represent 65.6 percent of the total cash received for governmental activities during the year.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Chippewa Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the governmental activities include the Township's programs and services, including general government services and road and bridge maintenance. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: governmental and fiduciary.

Governmental Funds – Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2006, the Township's major governmental funds are as follows: General Fund, Gasoline Tax Fund, Road and Bridge Fund, Special Levy – Fire and EMS Fund, and Special Levy – Police Fund. For 2005, the Township's major governmental funds are as follows: General Fund, Road and Bridge Fund, and Special Levy – Fire and EMS Fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.



Chippewa Township, Wayne County  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2006 and 2005  
 Unaudited

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 1)

**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$2,575,727	\$2,298,157
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$75,986	\$56,610
Other Purposes	1,986,150	1,867,718
Unrestricted	514,591	373,829
Total Net Assets	\$2,576,727	\$2,298,157

As mentioned previously, net assets of governmental activities increased \$277,570 or 12.1 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Wayne County had a triennial update for real estate in 2005 for collection in 2006 which increased real estate taxes.
- Increases in gasoline excise tax receipts.
- Increases in interest income

Net assets of governmental activities increased \$196,705 or 9.3 percent during 2005. The primary reason contributing to the increases in cash balances is as follows:

- Receipts exceeded disbursements.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

Chippewa Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

(Table 2)  
**Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$64,953	\$41,441
Operating Grants and Contributions	136,209	110,083
Capital Grants and Contributions	65,652	70,512
Total Program Receipts	266,814	222,036
General Receipts:		
Property and Other Local Taxes	1,002,494	935,094
Grants and Entitlements Not Restricted to Specific Programs	328,212	216,307
Sale of Capital Assets	19,376	
Interest	97,859	25,473
Miscellaneous	8,235	27,350
Total General Receipts	1,456,176	1,204,224
Total Receipts	1,722,990	1,426,260
Disbursements:		
General Government	268,754	287,249
Public Safety	606,268	501,520
Public Works	409,832	386,177
Health	5,018	6,747
Capital Outlay	155,548	47,862
Total Disbursements	1,445,420	1,229,555
Increase in Net Assets	277,570	196,705
Net Assets, January 1	2,298,157	2,101,452
Net Assets, December 31	\$2,575,727	\$2,298,157

Program receipts represent only 15.5 percent and 15.6 percent of total receipts for 2006 and 2005, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 84.5 percent and 84.4 percent of the Township's total receipts for 2006 and 2005, respectively, and of this amount, over 68.9 percent and 77.7 percent, respectively, are local taxes. State grants and entitlements make up the majority of the balance of the Township's general receipts (22.6 percent and 18.0 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the fiscal officer and trustees as well as internal services such as payroll and purchasing.

Chippewa Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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Disbursements for Public Safety are the costs of providing fire service to the Township's residents. Disbursements for Public Works are the costs of constructing, maintaining, and repairing Township roads and bridges.

**Governmental Activities**

If you look at the Statement of Activities on page 10 and 20, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2006 and 2005 are for public safety, which accounts for 41.9 and 40.8 percent, respectively, of all governmental disbursements. In addition, public works represents a significant cost, about 28.4 percent for 2006 and 31.4 percent for 2005. General government also represents a significant cost, about 18.6 percent for 2006 and 23.3 percent for 2005. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Government	\$268,754	\$287,249	(\$268,754)	(\$287,249)
Public Safety	606,268	501,520	(541,315)	(460,079)
Public Works	409,832	386,177	(207,971)	(205,582)
Health	5,018	6,747	(5,018)	(6,747)
Capital Outlay	155,548	47,862	(155,548)	(47,862)
<b>Total</b>	<u>\$1,445,420</u>	<u>\$1,229,555</u>	<u>(\$1,178,606)</u>	<u>(\$1,007,519)</u>

The dependence upon property tax receipts is apparent as over 69.4 percent and 76.1 percent of governmental activities are supported through these general receipts for 2006 and 2005, respectively.

**The Township's Funds**

Total governmental funds had receipts and other sources of \$1,722,990 and \$1,426,260 and disbursements of \$1,445,420 and \$1,229,555 for 2006 and 2005, respectively. The greatest change within governmental funds for 2006 occurred within the General Fund. The fund balance of the General Fund increased \$140,763 during 2006 as the result of receipts exceeding disbursements. The greatest change within governmental funds for 2005 occurred within the Special Levy – Fire and EMS Fund. The fund balance increased \$103,842 during 2005 as a result of receipts exceeding disbursements.

Chippewa Township, Wayne County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006 and 2005, the Township did not amend its General Fund budget to reflect changing circumstances. Final budgeted receipts were below actual receipts due to not budgeting for all anticipated intergovernmental receipts.

Final disbursements were budgeted at \$480,295 and \$481,401 for 2006 and 2005, respectively, while actual disbursements were \$273,892 and \$303,989 for 2006 and 2005, respectively.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Laurie Farlow, Fiscal Officer, Chippewa Township, 14288 Galehouse Road, P.O. Box 265, Doylestown, Ohio 44230.

**Chippewa Township**  
**Wayne County**

*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,575,727</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$75,985
Other Purposes	1,985,150
Unrestricted	<u>514,592</u>
<i>Total Net Assets</i>	<u>\$2,575,727</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$268,754				(\$268,754)
Public Safety	606,268	\$64,953			(541,315)
Public Works	409,832		\$136,209	\$65,652	(207,971)
Health	5,018				(5,018)
Capital Outlay	155,548				(155,548)
<i>Total Governmental Activities</i>	<u>\$1,445,420</u>	<u>\$64,953</u>	<u>\$136,209</u>	<u>\$65,652</u>	<u>(1,178,606)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			72,110
		Road and Bridge			328,212
		Special Levy - Police			122,169
		Special Levy - Fire and EMS			480,002
		Grants and Entitlements not Restricted to Specific Programs			328,213
		Sale of Capital Assets			19,376
		Interest			97,859
		Miscellaneous			8,235
		<i>Total General Receipts</i>			<u>1,456,176</u>
		Change in Net Assets			277,570
		<i>Net Assets Beginning of Year</i>			<u>2,298,157</u>
		<i>Net Assets End of Year</i>			<u><u>\$2,575,727</u></u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Special Levy - Fire and EMS	Special Levy - Police	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	<u>\$514,592</u>	<u>\$309,648</u>	<u>\$479,832</u>	<u>\$854,945</u>	<u>\$85,580</u>	<u>\$331,130</u>	<u>\$2,575,727</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated, Reported in:							
General Fund	\$514,592						\$514,592
Special Revenue Funds		\$309,648	\$479,832	\$854,945	\$85,580	\$255,145	1,985,150
Capital Projects Funds						75,985	75,985
<i>Total Fund Balances</i>	<u>\$514,592</u>	<u>\$309,648</u>	<u>\$479,832</u>	<u>\$854,945</u>	<u>\$85,580</u>	<u>\$331,130</u>	<u>\$2,575,727</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Special Levy - Fire and EMS	Special Levy - Police	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$72,110		\$328,212	\$480,002	\$122,169		\$1,002,493
Charges for Services						\$25,147	25,147
Licenses, Permits and Fees	32,964					700	33,664
Fines and Forfeitures	5,633					510	6,143
Intergovernmental	225,297	\$109,262	\$38,252	51,429	13,234	92,599	530,073
Interest	77,938	11,831				8,090	97,859
Other	713		2,173	2,850		2,499	8,235
<i>Total Receipts</i>	<u>414,655</u>	<u>121,093</u>	<u>368,637</u>	<u>534,281</u>	<u>135,403</u>	<u>129,545</u>	<u>1,703,614</u>
<b>Disbursements</b>							
Current:							
General Government	268,754						268,754
Public Safety	120			445,472	150,065	10,611	606,268
Public Works		17,430	321,969			70,433	409,832
Health	5,018						5,018
Capital Outlay			107,206	47,942		400	155,548
<i>Total Disbursements</i>	<u>273,892</u>	<u>17,430</u>	<u>429,175</u>	<u>493,414</u>	<u>150,065</u>	<u>81,444</u>	<u>1,445,420</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>140,763</u>	<u>103,663</u>	<u>(60,538)</u>	<u>40,867</u>	<u>(14,662)</u>	<u>48,101</u>	<u>258,194</u>
<b>Other Financing Sources</b>							
Sale of Capital Assets						19,376	19,376
<i>Net Change in Fund Balances</i>	140,763	103,663	(60,538)	40,867	(14,662)	67,477	277,570
<i>Fund Balances Beginning of Year</i>	<u>373,829</u>	<u>205,985</u>	<u>540,370</u>	<u>814,078</u>	<u>100,242</u>	<u>263,653</u>	<u>2,298,157</u>
<i>Fund Balances End of Year</i>	<u>\$514,592</u>	<u>\$309,648</u>	<u>\$479,832</u>	<u>\$854,945</u>	<u>\$85,580</u>	<u>\$331,130</u>	<u>\$2,575,727</u>

See accompanying notes to the basic financial statements



**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$68,132	\$68,132	\$72,110	\$3,978
Licenses, Permits and Fees	27,810	27,810	32,964	5,154
Fines and Forfeitures	4,774	4,774	5,633	859
Intergovernmental	129,828	129,828	225,297	95,469
Interest	24,720	24,720	77,938	53,218
Other	1,172	1,172	713	(459)
<i>Total Receipts</i>	<u>256,436</u>	<u>256,436</u>	<u>414,655</u>	<u>158,219</u>
<b>Disbursements</b>				
Current:				
General Government	371,882	371,882	268,754	103,128
Public Safety	26,780	26,780	120	26,660
Health	54,899	54,899	5,018	49,881
Capital Outlay	26,734	26,734		26,734
<i>Total Disbursements</i>	<u>480,295</u>	<u>480,295</u>	<u>273,892</u>	<u>206,403</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(223,859)</u>	<u>(223,859)</u>	<u>140,763</u>	<u>364,622</u>
<b>Other Financing Uses</b>				
Other Financing Uses	(51,500)	(51,500)		51,500
<i>Net Change in Fund Balance</i>	(275,359)	(275,359)	140,763	416,122
<i>Fund Balance Beginning of Year</i>	<u>373,829</u>	<u>373,829</u>	<u>373,829</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$98,470</u>	<u>\$98,470</u>	<u>\$514,592</u>	<u>\$416,122</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$48,519	\$48,519	\$109,262	\$60,743
Other	424	424	11,831	11,407
<i>Total Receipts</i>	48,943	48,943	121,093	72,150
<b>Disbursements</b>				
Current:				
Public Works	83,450	83,450	17,430	66,020
<i>Excess of Receipts Over (Under) Disbursements</i>	(34,507)	(34,507)	103,663	138,170
<i>Fund Balance Beginning of Year</i>	205,985	205,985	205,985	0
<i>Fund Balance End of Year</i>	\$171,478	\$171,478	\$309,648	\$138,170

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$277,407	\$277,407	\$328,212	\$50,805
Intergovernmental	38,635	38,635	38,252	(383)
Other	2,122	2,122	2,173	51
<i>Total Receipts</i>	<u>318,164</u>	<u>318,164</u>	<u>368,637</u>	<u>50,473</u>
<b>Disbursements</b>				
Current:				
Public Works	449,080	449,080	321,969	127,111
Capital Outlay	172,100	172,100	107,206	64,894
<i>Total Disbursements</i>	<u>621,180</u>	<u>621,180</u>	<u>429,175</u>	<u>192,005</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(303,016)</u>	<u>(303,016)</u>	<u>(60,538)</u>	<u>242,478</u>
<i>Fund Balance Beginning of Year</i>	<u>540,370</u>	<u>540,370</u>	<u>540,370</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$237,354</u>	<u>\$237,354</u>	<u>\$479,832</u>	<u>\$242,478</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Special Levy - Fire and EMS Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$445,901	\$445,901	\$480,002	\$34,101
Intergovernmental	50,029	50,029	51,429	1,400
Other	5,867	5,867	2,850	(3,017)
<i>Total Receipts</i>	<u>501,797</u>	<u>501,797</u>	<u>534,281</u>	<u>32,484</u>
<b>Disbursements</b>				
Current:				
Public Safety	488,560	488,560	445,472	43,088
Capital Outlay	241,000	241,000	47,942	193,058
<i>Total Disbursements</i>	<u>729,560</u>	<u>729,560</u>	<u>493,414</u>	<u>236,146</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(227,763)</u>	<u>(227,763)</u>	<u>40,867</u>	<u>268,630</u>
<i>Fund Balance Beginning of Year</i>	<u>814,078</u>	<u>814,078</u>	<u>814,078</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$586,315</u></u>	<u><u>\$586,315</u></u>	<u><u>\$854,945</u></u>	<u><u>\$268,630</u></u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Special Levy - Police Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$116,318	\$116,318	\$122,169	\$5,851
Intergovernmental	11,627	11,627	13,234	1,607
<i>Total Receipts</i>	<u>127,945</u>	<u>127,945</u>	<u>135,403</u>	<u>7,458</u>
<b>Disbursements</b>				
Current:				
Public Safety	153,090	153,090	150,065	3,025
<i>Excess of Receipts (Under) Disbursements</i>	<u>(25,145)</u>	<u>(25,145)</u>	<u>(14,662)</u>	<u>10,483</u>
<i>Fund Balance Beginning of Year</i>	<u>100,242</u>	<u>100,242</u>	<u>100,242</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$75,097</u></u>	<u><u>\$75,097</u></u>	<u><u>\$85,580</u></u>	<u><u>\$10,483</u></u>

See accompanying notes to the basic financial statements

**Chippewa Township**  
**Wayne County**

*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$426</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	<u>\$426</u>

See accompanying notes to the basic financial statements

**Chippewa Township**  
**Wayne County**

*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,298,157</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$56,610
Other Purposes	1,867,718
Unrestricted	<u>373,829</u>
<i>Total Net Assets</i>	<u>\$2,298,157</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$287,249				(\$287,249)
Public Safety	501,520	\$41,441			(460,079)
Public Works	386,177		\$110,083	\$70,512	(205,582)
Health	6,747				(6,747)
Capital Outlay	47,862				(47,862)
<i>Total Governmental Activities</i>	<u>\$1,229,555</u>	<u>\$41,441</u>	<u>\$110,083</u>	<u>\$70,512</u>	<u>(1,007,519)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			67,662
		Road and Bridge			297,266
		Special Levy - Police			117,776
		Special Levy - Fire and EMS			452,390
		Grants and Entitlements not Restricted to Specific Programs			216,307
		Interest			25,473
		Miscellaneous			27,350
		<i>Total General Receipts</i>			<u>1,204,224</u>
		Change in Net Assets			196,705
		<i>Net Assets Beginning of Year</i>			<u>2,101,452</u>
		<i>Net Assets End of Year</i>			<u>\$2,298,157</u>

See accompanying notes to the basic financial statements



**Chippewa Township  
Wayne County**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	General	Road and Bridge	Special Levy - Fire and EMS	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$373,829	\$540,370	\$814,078	\$569,880	\$2,298,157
<b>Fund Balances</b>					
Unreserved:					
Undesignated, Reported in:					
General Fund	\$373,829				\$373,829
Special Revenue Funds		\$540,370	\$814,078	\$513,270	1,867,718
Capital Projects Funds				56,610	56,610
<i>Total Fund Balances</i>	<u>\$373,829</u>	<u>\$540,370</u>	<u>\$814,078</u>	<u>\$569,880</u>	<u>\$2,298,157</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Road and Bridge	Special Levy - Fire and EMS	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$67,662	\$297,266	\$452,390	\$117,776	\$935,094
Charges for Services				5,835	5,835
Licenses, Permits and Fees	30,643			1,125	31,768
Fines and Forfeitures	3,188			650	3,838
Intergovernmental	101,551	35,567	67,399	192,385	396,902
Interest	23,517			1,956	25,473
Other	1,867	11,170	11,313	3,000	27,350
<i>Total Receipts</i>	<u>228,428</u>	<u>344,003</u>	<u>531,102</u>	<u>322,727</u>	<u>1,426,260</u>
<b>Disbursements</b>					
Current:					
General Government	287,249				287,249
Public Safety	8,705		383,490	109,325	501,520
Public Works		324,744		61,433	386,177
Health	6,747				6,747
Capital Outlay	1,288	2,095	43,770	709	47,862
<i>Total Disbursements</i>	<u>303,989</u>	<u>326,839</u>	<u>427,260</u>	<u>171,467</u>	<u>1,229,555</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(75,561)</u>	<u>17,164</u>	<u>103,842</u>	<u>151,260</u>	<u>196,705</u>
<i>Fund Balances Beginning of Year</i>	<u>449,390</u>	<u>523,206</u>	<u>710,236</u>	<u>418,620</u>	<u>2,101,452</u>
<i>Fund Balances End of Year</i>	<u>\$373,829</u>	<u>\$540,370</u>	<u>\$814,078</u>	<u>\$569,880</u>	<u>\$2,298,157</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$66,148	\$66,148	\$67,662	\$1,514
Licenses, Permits and Fees	27,000	27,000	30,643	3,643
Fines and Forfeitures	4,635	4,635	3,188	(1,447)
Intergovernmental	131,586	131,586	101,551	(30,035)
Interest	24,000	24,000	23,517	(483)
Other	1,138	1,138	1,867	729
<i>Total Receipts</i>	<u>254,507</u>	<u>254,507</u>	<u>228,428</u>	<u>(26,079)</u>
<b>Disbursements</b>				
Current:				
General Government	323,601	323,601	287,249	36,352
Public Safety	23,500	23,500	8,705	14,795
Health	53,300	53,300	6,747	46,553
Capital Outlay	81,000	81,000	1,288	79,712
<i>Total Disbursements</i>	<u>481,401</u>	<u>481,401</u>	<u>303,989</u>	<u>177,412</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(226,894)</u>	<u>(226,894)</u>	<u>(75,561)</u>	<u>151,333</u>
<b>Other Financing Uses</b>				
Other Financing Uses	(50,000)	(50,000)	0	50,000
<i>Net Change in Fund Balance</i>	(276,894)	(276,894)	(75,561)	201,333
<i>Fund Balance Beginning of Year</i>	<u>449,390</u>	<u>449,390</u>	<u>449,390</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$172,496</u>	<u>\$172,496</u>	<u>\$373,829</u>	<u>\$201,333</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$269,327	\$269,327	\$297,266	\$27,939
Intergovernmental	37,510	37,510	35,567	(1,943)
Other	2,060	2,060	11,170	9,110
<i>Total Receipts</i>	<u>308,897</u>	<u>308,897</u>	<u>344,003</u>	<u>35,106</u>
<b>Disbursements</b>				
Current:				
Public Works	436,000	436,000	324,744	111,256
Capital Outlay	170,000	170,000	2,095	167,905
<i>Total Disbursements</i>	<u>606,000</u>	<u>606,000</u>	<u>326,839</u>	<u>279,161</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(297,103)</u>	<u>(297,103)</u>	<u>17,164</u>	<u>314,267</u>
<i>Fund Balance Beginning of Year</i>	<u>523,206</u>	<u>523,206</u>	<u>523,206</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$226,103</u>	<u>\$226,103</u>	<u>\$540,370</u>	<u>\$314,267</u>

See accompanying notes to the basic financial statements

**Chippewa Township  
Wayne County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Special Levy - Fire and EMS Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$432,913	\$432,913	\$452,390	\$19,477
Intergovernmental	48,572	48,572	67,399	18,827
Other	5,696	5,696	11,313	5,617
<i>Total Receipts</i>	<u>487,181</u>	<u>487,181</u>	<u>531,102</u>	<u>43,921</u>
<b>Disbursements</b>				
Current:				
Public Safety	465,950	465,950	383,490	82,460
Capital Outlay	250,600	250,600	43,770	206,830
<i>Total Disbursements</i>	<u>716,550</u>	<u>716,550</u>	<u>427,260</u>	<u>289,290</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(229,369)</u>	<u>(229,369)</u>	<u>103,842</u>	<u>333,211</u>
<i>Fund Balance Beginning of Year</i>	709,193	709,193	709,193	0
Prior Year Encumbrances Appropriated	1,043	1,043	1,043	0
<i>Fund Balance End of Year</i>	<u>\$480,867</u>	<u>\$480,867</u>	<u>\$814,078</u>	<u>\$333,211</u>

See accompanying notes to the basic financial statements

**Chippewa Township**  
**Wayne County**

*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$426</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	<u>\$426</u>

See accompanying notes to the basic financial statements

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 1 – Reporting Entity**

Chippewa Township, Wayne County, Ohio, (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services. In addition, the Township contracts with Marshallville Fire Department to assist in providing fire protection and emergency medical services. The Township contracts with the Wayne County Sheriff's Department to provide police protection services.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Chippewa Township has no component units.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities which are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.



**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. For 2006, the Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Special Levy – Fire and EMS Fund, and the Special Levy – Police Fund. For 2005, the Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Special Levy – Fire and EMS Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads. The Special Levy – Fire and EMS Fund is used to account for tax money which the Township can only use for fire protection. The Special Levy – Police Fund is used to account for tax money which the Township can only use for police protection.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for unclaimed monies.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2006 and 2005, the Township invested in nonnegotiable certificates of deposit.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$77,938 and \$23,517, respectively.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. During 2006 and 2005, the Township did not report any restricted assets.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road work.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

During 2004 the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During 2005, the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 4 – Compliance**

Compliance

Contrary to Ohio Rev. Code Section 5705.41(D), during 2006 and 2005, 7.5% and 26% of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Special Levy – Fire and EMS Fund, and Special Levy – Police Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Note 6 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 6 - Deposits and Investments** (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 and 2005, \$2,515,158 and \$2,249,233 of the Township's bank balance of \$2,615,158 and \$2,349,233 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2006 and 2005, the Township had investments in nonnegotiable certificates of deposit.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 and 2006 represent the collection of 2004 and 2005 taxes, respectively. Real property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the assessed values as of January 1, 2004 and 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 7 – Property Taxes** (continued)

Public utility property tax receipts received in 2005 and 2006 represent the collection of 2004 and 2005 taxes. Public utility real and tangible personal property taxes received in 2005 and 2006 became a lien on December 31, 2004 and 2005, were levied after October 1, 2004 and 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 and 2006 (other than public utility property) represent the collection of 2005 and 2006 taxes. Tangible personal property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the true value as of December 31, 2004 and 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the years ended December 31, 2006 and 2005, were \$8.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	2006	2005
Real Property		
Residential/Agriculture	\$113,542,830	\$103,151,530
Other Real	3,890,110	3,706,170
Tangible Personal Property	2,624,350	2,613,786
Public Utility	6,698,260	7,013,980
Total Assessed Value	\$126,755,550	\$116,485,466

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Township contracted with Westfield Companies for various types of insurance coverage as follows:

Type of Coverage	Amount of Coverage
General Liability	\$3,000,000
Vehicle	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5701 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 and 2005 were 13.70 percent and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$32,522, \$34,802 and \$34,256 respectively. The full amounts have been contributed for 2006, 2005 and 2004.

**B. Ohio Police and Fire Pension Fund**

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

For the years ended December 31, 2006 and 2005, plan members were required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 16.25 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the Fund for firefighters were \$10,449 and \$4,061 for the years ended December 31, 2006 and 2005, respectively. The full amount has been contributed for 2006, 2005 and 2004.

**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 percent and 13.55 percent of covered payroll; 4.5 percent and 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 percent and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$11,192 and \$10,274, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.



**CHIPPEWA TOWNSHIP  
WAYNE COUNTY**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 10 - Postemployment Benefits** (continued)

The total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2006 that were used to fund postemployment benefits were \$4,935 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 10,537 for firefighters.

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Subsequent Events**

On January 15, 2007, Chippewa Township entered into a "Contract to create a Joint Economic Development District with the Village of Doylestown, to facilitate economic development, create or preserve jobs and employment opportunities, and improve the economic welfare of the people in the Township".

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Chippewa Township  
Wayne County  
14228 Galehouse Road  
P.O. Box 265  
Doylestown, Ohio 44230

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 31, 2007, wherein we noted the Township revised its financial statements for 2006 and 2005, making them comparable to the requirements of Governmental Auditing Standards Board Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe the significant deficiencies described are not material weaknesses.

We noted certain matters that we reported to the Township's management in a separate letter dated August 31, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 31, 2007.

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 31, 2007

CHIPPEWA TOWNSHIP  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-001

**Noncompliance Citation and Significant Deficiency**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2006 and 2005, 7.5% and 26% respectively, of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that none of the three exceptions above were utilized for the items found to be in noncompliance. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

### FINDING NUMBER 2006-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Township Fiscal Officer certify the funds are or will be available prior to the obligation by the Township. When prior certification is not possible "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:** We note there was a substantial decrease in the occurrence of expenditures tested that were not first certified by the Fiscal Officer prior to incurring the obligation. Those incidents dropped from 26% in year 2005 (when the Fiscal Officer had a medical emergency), to only 7.5% in 2006. Chippewa Township, its Trustees and Fiscal Officer will continue to work on this issue to improve even further. We shall utilize and enforce the use of purchase orders and, where necessary, use "then and now" and blanket certificates to comply with your recommendation.

### FINDING NUMBER 2006-002

#### Noncompliance Citation and Significant Deficiency

**Ohio Rev. Code Section 505.603** states in addition to or in lieu of providing benefits to township officers and employees under section 505.60, 505.601, or 505.602 of the Revised Code, a board of township trustees may offer benefits to officers and employees through a cafeteria plan that meets the requirements of section 125 of the "Internal Revenue Code." To offer benefits through a cafeteria plan, the township must adopt a policy authorizing an officer or employee to receive a cash payment in lieu of a benefit otherwise offered to township officers or employee. This cash payment may not exceed twenty-five per cent of the cost of premiums or payments that otherwise would be paid by the board for benefits for the officer or employee.

**Ohio Rev. Code Section 505.603** further requires that no cash payment in lieu of a benefit be made unless the officer or employee provides a signed statement with the following information:

- an affirmation the individual is covered under another plan for that type of coverage
- the name of the employer (if any) that sponsors the coverage
- the name of the carrier providing the coverage
- the policy or plan number for the coverage

Although the Township's four participating elected officials provided documentation they have outside health insurance through another employer or spouse's employer, they have not provided a signed statement containing the aforementioned information. In addition, there is no documentation the plan was approved by the Internal Revenue Service as meeting the requirements of section 125 of the Internal Revenue Code.

Also, three officials are being paid in excess of their actual expenditures for medical insurance. This excess amount should be reflected as a taxable fringe benefit on the official's Form W-2 but is not being reported.

### FINDING NUMBER 2006-002 (Continued)

A key control in providing a cafeteria plan is to ensure all legal requirements are followed for providing the plan. To improve controls over operating the cafeteria plan, the Township should require all participants provide a signed statement with the required information and consult with the Internal Revenue Service for approval of the plan and procedures for reporting any amounts as a taxable fringe benefit.

This matter will be referred to the Internal Revenue Service for whatever action deemed necessary.

**Officials' Response:** The Township uses a cafeteria plan to meet the requirements of health insurance for Township employees and officers. The taxpayers save money by a cash payment to those who do not use the Township's paid health insurance of 25% of the cost of premiums that otherwise would be paid by the taxpayers for benefits for that office or employee. Those employees or officers who do that save the Township 75% of those health insurance costs.

You pointed out that we need to review this policy. Within 30 days, we will provide the statement of the affirmation that individuals are covered under another plan of insurance, the name of the employer that sponsors the coverage, the name of the carrier providing the coverage, and the policy or plan number for the coverage. We will also seek approval of our plan from IRS and obtain documentation of that for you.

We will begin issuing 1099's for any cash payment in lieu of health insurance for which such would be necessary.

We appreciate your recommendations in this regard and will follow them.

### FINDING NUMBER 2006-003

#### Noncompliance Citation and Significant Deficiency

In the case of *C. B. Transportation, Inc. v. Butler County Bd. of Mental Retardation* (C.P. 1979), 60 Ohio Misc. 71, 397 N.E.2d 781, as well as, *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, indicate that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Consistent with such reasoning, **Auditor of State Bulletin 97-010** states, in part that the legislative body of a local government may not delegate its authority to establish appropriations. The appropriations process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill that responsibility. This bulletin also notes the level at, or above, which a government's management may not reassign resources without legislative approval is known as the "legal level of control". In Ohio, the "legal level of control" is the level (i.e., fund, function, object, etc.) at which the appropriation measure is passed by the authority of a local government.

Township Resolution 05-0012-01, states the board "allows the Fiscal Officer to process supplemental intra fund appropriations within specific funds throughout the year to provide for the proper payment of Township obligation". The Township's legal level of control is fund, function, object thus, contrary to guidance of Auditor of State Bulletin 97-010, the Board gives the Fiscal Officer the authority to adjust appropriations at the "legal level of control" or make intra fund appropriation amendments. The Board should approve all intra-fund appropriations amendments. Their authority should not be delegated to the fiscal officer.

In addition, **Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

**FINDING NUMBER 2006-003 (Continued)**

As noted above, the Board authorized the Fiscal Officer to make intra-fund appropriation amendments which gives the Fiscal Officer the authority to make appropriation amendments at the fund, function, object, level (legal level of control). Auditor of State (AOS) Bulletin 97-010 states, in part that the legislative body of a local government may not delegate its authority to establish appropriations. Accordingly, we determined the intra-fund amendments made by the Fiscal Officer were not legally approved, thus resulting in fund, function, object, level expenditures exceeding appropriations at December 31, 2006 within the following:

<b>Fund, Function, Object</b>	<b>Description</b>	<b>Appropriations</b>	<b>Disbursements</b>	<b>Variance</b>
1000-120-190-0000	Other - Salaries	\$2,060	\$3,614	(\$1,554)
2031-330-323-0000	Repairs and Maintenance	15,450	39,281	(23,831)
2031-760-750-000	Motor Vehicles	100,000	107,205	(7,205)
2192-220-190-0102	Other –Salaries – Part Time	77,500	98,159	(20,659)
2192-220-211-0000	Ohio Public Employees Retirement System	15,000	21,646	(6,646)
2192-220-230-0000	Workers’ Compensation	17,000	24,701	(7,701)
2192-220-318-0000	Training Services	13,000	14,971	(1,971)

At December 31, 2005 within the following:

<b>Fund, Function, Object</b>	<b>Description</b>	<b>Appropriations</b>	<b>Disbursements</b>	<b>Variance</b>
1000-110-311-3111	Accounting and Legal Fees Twp. Retained Legal Counsel	\$32,000.00	\$63,019.59	(\$31,019.59)
1000-110-311-3111	Election Expenses	3,000.00	18,950.66	(15,950.66)
2192-760-720-0000	Buildings	20,000.00	20,701.48	(701.48)

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending. If amendments are deemed necessary, the Fiscal Officer should ensure that all appropriation amendments are properly approved by the Board of Trustees.

**Officials’ Response:** Township Resolution 05-0012-01 stated “the Board of Trustees would allow the Fiscal Officer to process supplemental intra fund appropriations within specific funds throughout the year to provide for the proper payment of Township obligations.” The Auditor’s Office has suggested that the Board of Trustees should officially by resolution approve all intra fund appropriation amendments. We shall do so. We note that the incidence of this occurring were less than once per month (10 times over a 24 month period). We will continue to work to reduce this to zero.



#### FINDING NUMBER 2006-004

##### Significant Deficiency

##### Proper Classification of Receipts

The testing of receipts revealed that several items were not properly classified by the Township Fiscal Officer and required reclassification and/or adjustment. Items requiring reclassification and adjustments included tax, intergovernmental, and miscellaneous receipts.

The Township Fiscal Officer should review the account code classifications in the UAN system and the "Ohio Township Handbook" chart of accounts and post receipts to the proper line item account codes and fund. This will help ensure receipts are properly reflected in the financial statements. In addition, fairly presented financial statements provide the Township Trustees with the ability to analyze information in a consistent manner which aids in making informed financial decisions regarding Township operations.

A similar comment was made in the 2004-2003 audit management letter.

**Officials' Response:** These have been corrected and the Fiscal Officer will continue to monitor this to assure compliance.

#### FINDING NUMBER 2006-005

##### Significant Deficiency

##### Travel Reimbursements

The Township's travel policy states, "meal reimbursements for all overnight trips is \$40.00 a day. Reimbursement on completion of authorized travel upon submission of proper claim". For 5 of the 8 (63%) reimbursements tested, the official was reimbursed for meals without itemized meal receipts. Further, one was reimbursed at the per diem rate for four days for a total of \$160 without presenting detailed receipts supporting the daily meal purchases.

Additionally, one official submitted a mileage reimbursement request for 639 miles which simply indicated it was for a "class at Kent". There was no further documentation to explain the period of time in which the official traveled. Without specific documentation, the Auditor could not determine if the mileage reimbursement request was reasonable or not.

The Township should amend its travel policy to include the following:

- Instead of a per diem meal allowance amount, employees and officials should be reimbursed for the exact expenditure up to a maximum set amount per meal (i.e. breakfast, lunch, and dinner) incurred while on official travel per detailed receipts submitted by the employee;
- A detailed itemized receipt showing the employee's and official's expenditure(s) with a description of item/service purchased and a corresponding amount should be submitted.
- Detailed mileage logs or records with dates and purposes should be submitted.

In amending the policy, the Township will help ensure it is reimbursing employees for only those items they purchased and for allowable expenditures per Auditor of State Bulletins 2003-005 which states that "governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose.

**FINDING NUMBER 2006-005 (Continued)**

First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates an expenditure of public funds for alcoholic beverages is prohibited as proper public purpose expenditures.

Failure to obtain itemized receipts and invoices for travel and food purchases increases the risk public monies could be used to purchase alcoholic beverages or other improper items.

A similar comment was made in the 2004-2003 audit management letter.

**Officials' Response:** The Trustees have authorized the Township attorney to draft a resolution complying with your recommendation. We will require detailed mileage logs or records with dates and purchases; a detailed, itemized receipt showing the employees' and officials' expenditures with a description of the item or service purchased, and a corresponding amount, and provide detailed receipts for actual amounts spent for breakfast, lunch and dinner.

We can assure you that no improper expenses have been made for these in the past, and none shall be in the future. To assure that documentation exists, we shall comply with your recommendation.



**Mary Taylor, CPA**  
Auditor of State

**CHIPPEWA TOWNSHIP**

**WAYNE 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  
OCTOBER 16, 2007**