

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

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2008**

Varney, Fink & Associates, Inc.  
Certified Public Accountants





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Chippewa Lake, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 8, 2010

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**VILLAGE OF CHIPPEWA LAKE, OHIO  
MEDINA COUNTY  
FOR THE YEAR ENDED  
DECEMBER 31, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

Village Council  
Village of Chippewa Lake, Medina County  
PO Box 25  
Chippewa Lake, OH 44215

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Chippewa Lake, Medina County, (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2008, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Street Construction Maintenance and Repair, Pochedley Trust Fund and Medina County Engineer Project Funds for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2010 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**INDEPENDENT AUDITOR'S REPORT (continued)**

Management's discussion and analysis on pages 3 through 8 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 measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

May 28, 2010

Village of Chippewa Lake  
Medina County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
(Unaudited)

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This discussion and analysis of the Village of Chippewa Lake's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008 within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2008 are as follows:

The Village's general receipts are primarily property and other local taxes. These receipts represent respectively 33 percent of the total cash received for governmental activities during the year. Property and other local tax receipts for 2008 changed very little compared to 2007 as development within the Village has slowed.

The Village voters did approve a six mill/5 year current expense levy in November of 2007. The Village Council decided to ask for a renewal which is all that was necessary to continue our existing services to our residents. This levy will continue when the existing levy expires at the end of 2008. The money generated will allow the Village to continue to provide contracted police protection from the County Sheriff's Department, street plowing and salting, parks maintenance and continue to make improvements to our roads. We have been fortunate to receive OPWC funding to upgrade several of our streets and storm sewers.

The Village has applied for and hopes to be awarded OPWC funding to continue our efforts to upgrade our roads and storm sewer system in 2009.

**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 Village'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 Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village 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 basic 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 Village 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 Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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.

Village of Chippewa Lake  
Medina County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
(Unaudited)

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**Reporting the Village as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2008, within the limitations of the cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Village 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 or capital 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 Village's general receipts.

These statements report the Village'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 Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities, the Village has one type of activity:

Governmental activities - Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income 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 Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many 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 Village are in one category: governmental.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village'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 Village's programs. The Village'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. The Village's major governmental funds are the General, Street Construction Maintenance and Repair Fund, the Pochedley Trust Fund, and the Medina County Engineer Project Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Village of Chippewa Lake  
 Medina County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2008  
 (Unaudited)

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**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Cash and Cash Equivalents	\$216,246	\$333,386
Total Assets	\$216,246	\$333,386
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$0	\$14,981
Other Purposes	107,864	199,934
Unrestricted	108,382	118,471
Total Net Assets	\$216,246	\$333,386

Net assets of governmental activities decreased \$ 117,140 during 2008. The primary reasons contributing to the decreases in net assets is as follows:

- Unanticipated slow growth in local tax receipts. Due to the slowing economy, growth has been reduced.
- The Village had several streets that were in very poor condition that needed extensive repairs. The snowfall in 2008 caused the Village to pay twice the usual amount for plowing services and road salt purchases.
- The state minimum wage increased and that did bump the amount needed to pay our beach attendants who work the lake access area.
- Mosquito spraying continued about one month longer than usual at a cost of \$290 per application. The spraying was done twice a week well into October.

Village of Chippewa Lake  
Medina County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
(Unaudited)

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2008 for governmental activities.

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

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$40,914	\$2,070
Operating Grants and Contributions	1,115	44,360
Capital Grants and Contributions	74,372	167,609
Total Program Receipts	116,401	214,039
General Receipts:		
Property and Other Local Taxes	105,638	118,697
Grants and Entitlements Not Restricted to Specific Programs	84,634	48,290
Interest	1,763	0
Miscellaneous	7,447	114,349
Total General Receipts	199,482	281,336
Total Receipts	315,883	495,375
Disbursements:		
General Government	59,955	58,085
Security of Persons and Property:	67,154	60,402
Leisure Time Activities	45,541	72,153
Community Environment	20,591	18,348
Basic Utilities	114,739	16,177
Transportation	50,671	186,122
Capital Outlay	74,372	396
Total Disbursements	433,023	411,683
Excess (Deficiency)	(117,140)	83,692
Net Assets, January 1	333,386	249,694
Net Assets, December 31	\$216,246	\$333,386

Program receipts represent only 37 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits and charges to nearby government for police services provided under contract.

General receipts represent 63 percent of the Village's total receipts, and of this amount, over 53 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the Auditor, Treasurer, and as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of contracted police protection. Leisure Time Activities are the costs of maintaining the parks and maintaining the lake access area. The Community Environment funds our zoning expenses such as inspector, zoning supplies, zoning board and also is where the village pays for its seasonal mosquito spraying as we are a lakefront community.

Village of Chippewa Lake  
 Medina County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2008  
 (Unaudited)

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**Governmental Activities**

If you look at the Statement of Activities on page 10 you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property. General government also represents a significant cost, about 15.5 percent. 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.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$59,955	(\$58,480)	\$58,085	(\$54,184)
Security of Persons and Property	67,154	(67,154)	60,402	(60,402)
Leisure Time Activities	45,541	(45,041)	72,153	(72,153)
Community Environment	20,591	(19,826)	18,348	(16,572)
Basic Utilities	114,739	(75,450)	16,177	(16,177)
Transportation	50,671	23,701	186,122	22,240
Capital Outlay	74,372	(74,372)	396	(396)
Total Expenses	\$433,023	(\$316,622)	\$411,683	(\$197,644)

**The Village's Funds**

Total governmental funds had receipts of \$315,883 and disbursements of \$433,023. The greatest change within governmental funds occurred within the Medina County Engineer Project Fund. This Fund tracked the money from the County Engineer who also joined us in the Phase Three project. The General Fund receipts were less than disbursements by \$117,140.

**General Fund Budgeting Highlights**

The Village'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 2008, the Village amended its General Fund budget at the end of the year to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

**Capital Assets and Debt Administration**

**Capital Assets**

The Government does not currently keep track of its capital assets and infrastructure. Capital Assets are not required to be presented in these financial statements.

Village of Chippewa Lake  
Medina County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
(Unaudited)

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Debt

The Village currently has no debt.

**Current Issues**

The challenge for all Governments 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 and have very little industry to support the tax base. We also depend on local government funding. Without local government funding, property tax revenue and the 6 mil operating levy passed by our residents we would not be able to provide any additional services. By the passage of a voter approved current expense levy on the ballot in November 2007, this showed council that the voters realize that we are not asking for more than we need. They also realize that their council spends what we have very wisely. The passage of this levy was a "vote of confidence" in the Village's legislative body.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village'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 Cathy Osborn, Clerk-Treasurer, Village of Chippewa Lake, PO Box 25, Chippewa Lake, OH 44215.

**Village of Chippewa Lake, Medina County**

*Statement of Net Assets - Cash Basis*

*December 31, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$216,246</u>
<i>Total Assets</i>	<u><u>\$216,246</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$107,864
Unrestricted	<u>108,382</u>
<i>Total Net Assets</i>	<u><u>\$216,246</u></u>

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2008

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
<b>Governmental Activities</b>					
Security of Persons and Property	\$67,154	\$0	\$0	\$0	(\$67,154)
Leisure Time Activities	45,541	500	0	0	(45,041)
Community Environment	20,591	765	0	0	(19,826)
Basic Utility Services	114,739	39,289	0	0	(75,450)
Transportation	50,671	0	0	74,372	23,701
General Government	59,955	360	1,115	0	(58,480)
Capital Outlay	74,372	0	0	0	(74,372)
<i>Total Governmental Activities</i>	\$433,023	\$40,914	\$1,115	\$74,372	(316,622)
		<b>General Receipts</b>			
		Property and other local taxes			105,638
		Grants and Entitlements not Restricted to Specific Programs			84,634
		Earnings on Investments			1,763
		Miscellaneous			7,447
		<i>Total General Receipts</i>			199,482
		Change in Net Assets			(117,140)
		<i>Net Assets Beginning of Year</i>			333,386
		<i>Net Assets End of Year</i>			\$216,246

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Cash Basis Assets and Fund Balance*  
*Governmental Funds*  
*December 31, 2008*

	General	Street Construction Maintenance and Repair	Pochedley Turst	Medina Co. Engineer Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$108,382	\$16,934	\$66,042	\$14,605	\$10,283	\$216,246
<i>Total Assets</i>	<u>\$108,382</u>	<u>\$16,934</u>	<u>\$66,042</u>	<u>\$14,605</u>	<u>\$10,283</u>	<u>\$216,246</u>
<b>Fund Balances</b>						
Unreserved, Undesignated, Reported in:						
General Fund	\$108,382	\$0	\$0	\$0	\$0	\$108,382
Special Revenue Funds	<u>0</u>	<u>16,934</u>	<u>66,042</u>	<u>14,605</u>	<u>10,283</u>	<u>107,864</u>
<i>Total Fund Balances</i>	<u>\$108,382</u>	<u>\$16,934</u>	<u>\$66,042</u>	<u>\$14,605</u>	<u>\$10,283</u>	<u>\$216,246</u>

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2008

	General	Street Construction Maintenance and Repair	Pochedley Turst	Medina Co. Engineer Project	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$105,638	\$0	\$0	\$0	\$0	\$105,638
Intergovernmental	64,017	34,811	0	0	61,293	160,121
Charges for Services	500	0	0	39,289	0	39,789
Fines, Licenses and Permits	815	0	0	0	310	1,125
Earnings on Investments	1,140	193	430	0	0	1,763
Miscellaneous	7,447	0	0	0	0	7,447
<i>Total Receipts</i>	<u>179,557</u>	<u>35,004</u>	<u>430</u>	<u>39,289</u>	<u>61,603</u>	<u>315,883</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	67,007	0	0	0	147	67,154
Leisure Time Activities	44,299	0	1,242	0	0	45,541
Community Environment	20,591	0	0	0	0	20,591
Basic Utility Services	0	0	0	114,739	0	114,739
Transportation	0	50,671	0	0	0	50,671
General Government	59,955	0	0	0	0	59,955
Capital Outlay	0	0	0	0	74,372	74,372
<i>Total Disbursements</i>	<u>191,852</u>	<u>50,671</u>	<u>1,242</u>	<u>114,739</u>	<u>74,519</u>	<u>433,023</u>
<i>Net Change in Fund Balances</i>	<u>(12,295)</u>	<u>(15,667)</u>	<u>(812)</u>	<u>(75,450)</u>	<u>(12,916)</u>	<u>(117,140)</u>
<i>Fund Balances Beginning of Year</i>	<u>120,677</u>	<u>32,601</u>	<u>66,854</u>	<u>90,055</u>	<u>23,199</u>	<u>333,386</u>
<i>Fund Balances End of Year</i>	<u>\$108,382</u>	<u>\$16,934</u>	<u>\$66,042</u>	<u>\$14,605</u>	<u>\$10,283</u>	<u>\$216,246</u>

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$151,520	\$151,520	\$105,638	(\$45,882)
Intergovernmental	43,447	43,447	64,017	20,570
Charges for Services	24,108	24,108	500	(23,608)
Fines, Licenses and Permits	1,020	1,020	815	(205)
Earnings on Investments	1,200	1,200	1,140	(60)
Miscellaneous	8,400	8,400	7,447	(953)
<i>Total Receipts</i>	229,695	229,695	179,557	(50,138)
<b>Disbursements</b>				
Current:				
Security of Persons and Property	68,272	68,272	67,007	1,265
Leisure Time Activities	64,867	64,867	44,299	20,568
Community Environment	23,000	23,000	20,591	2,409
Transportation	1	1	0	1
General Government	162,488	162,488	59,955	102,533
<i>Total Disbursements</i>	318,628	318,628	191,852	126,776
<i>Excess of Receipts Over (Under) Disbursements</i>	(88,933)	(88,933)	(12,295)	76,638
<b>Other Financing Sources (Uses)</b>				
Transfers In	1	1	0	(1)
Transfers Out	(1)	(1)	0	1
Advances In	1	1	0	(1)
Advances Out	(1)	(1)	0	1
<i>Total Other Financing Sources (Uses)</i>	0	0	0	0
<i>Net Change in Fund Balance</i>	(88,933)	(88,933)	(12,295)	76,638
<i>Fund Balance Beginning of Year</i>	120,677	120,677	120,677	0
<i>Fund Balance End of Year</i>	\$31,744	\$31,744	\$108,382	\$76,638

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Construction Maintenance & Repair  
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$48,313	\$48,313	\$34,811	(\$13,502)
Earnings on Investments	200	200	193	(7)
<i>Total Receipts</i>	<u>48,513</u>	<u>48,513</u>	<u>35,004</u>	<u>(13,509)</u>
<b>Disbursements</b>				
Current:				
Transportation	80,998	81,000	50,671	30,329
<i>Total Disbursements</i>	<u>80,998</u>	<u>81,000</u>	<u>50,671</u>	<u>30,329</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,485)</u>	<u>(32,487)</u>	<u>(15,667)</u>	<u>16,820</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	1	1	0	(1)
Advances Out	(1)	(1)	0	1
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(32,485)</u>	<u>(32,487)</u>	<u>(15,667)</u>	<u>16,820</u>
<i>Fund Balance Beginning of Year</i>	<u>32,601</u>	<u>32,601</u>	<u>32,601</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$116</u>	<u>\$114</u>	<u>\$16,934</u>	<u>\$16,820</u>

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Pochedley Trust  
 For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Earnings on Investments	\$300	\$300	\$430	\$130
Miscellaneous	66,656	66,656	0	(66,656)
<i>Total Receipts</i>	<u>66,956</u>	<u>66,956</u>	<u>430</u>	<u>(66,526)</u>
<b>Disbursements</b>				
Current:				
Leisure Time Activities	67,154	67,154	1,242	65,912
<i>Total Disbursements</i>	<u>67,154</u>	<u>67,154</u>	<u>1,242</u>	<u>65,912</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(198)</u>	<u>(198)</u>	<u>(812)</u>	<u>(614)</u>
<i>Net Change in Fund Balance</i>	(198)	(198)	(812)	(614)
<i>Fund Balance Beginning of Year</i>	<u>66,854</u>	<u>66,854</u>	<u>66,854</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$66,656</u></u>	<u><u>\$66,656</u></u>	<u><u>\$66,042</u></u>	<u><u>(\$614)</u></u>

See accompanying notes to the basic financial statements

**Village of Chippewa Lake, Medina County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Medina County Engineer Project  
 For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Charges for Services	\$0	\$0	\$39,289	\$39,289
<i>Total Receipts</i>	<u>0</u>	<u>0</u>	<u>39,289</u>	<u>39,289</u>
<b>Disbursements</b>				
Current:				
Basic Utility Services	90,055	90,055	114,739	(24,684)
<i>Total Disbursements</i>	<u>90,055</u>	<u>90,055</u>	<u>114,739</u>	<u>(24,684)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(90,055)</u>	<u>(90,055)</u>	<u>(75,450)</u>	<u>14,605</u>
<i>Net Change in Fund Balance</i>	(90,055)	(90,055)	(75,450)	14,605
<i>Fund Balance Beginning of Year</i>	<u>90,055</u>	<u>90,055</u>	<u>90,055</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$14,605</u></u>	<u><u>\$14,605</u></u>

See accompanying notes to the basic financial statements

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 1:      **REPORTING ENTITY****

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

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

**NOTE 2:      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****

**Basis of Presentation**

The financial statements of the Village have been prepared on the 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 GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The Village'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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies:

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village'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 Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of 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 Village's general receipts.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

*Fund Financial Statements*

During the year, the Village segregates transactions related to certain Village 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 Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The Village has no enterprise or fiduciary funds.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating. The Village has no proprietary funds.

*Fund Accounting*

The Village 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 Village are all classified as governmental.

*Governmental Funds*

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

*General Fund* -The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Street Construction Maintenance and Repair Fund* – The Street Construction Maintenance and Repair Fund accounts for State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the Village as required by the Ohio Revised Code.

*Medina County Engineer Project Fund* - Medina County Engineer Project Fund accounts for Medina County's responsibility for the Circle Crest sanitary sewer replacement project.

*Pochedley Trust Fund* - The Pochedley Trust Fund accounts for private donations received to be used on the development and maintenance of the Village park and grounds.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The other governmental funds of the Village are used to account for proceeds from specific sources such as permissive sales tax, parking violations and funds for the acquisition or construction of facilities, to include any maintenance on assets of the Village.

**Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village'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.

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 expenses and liabilities) are not recorded in these financial statements.

**Budgetary Process**

All 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 Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds. Outstanding encumbrances at year end are canceled and re-appropriated in the subsequent year and unencumbered appropriations lapse at year end.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. 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 certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**Cash and Investments**

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2008, the Village invested in STAR Ohio.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$1,140, which includes \$405 assigned from other Village funds.

**Restricted Assets**

Cash and 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, contributions, grantors, or laws of other governments, or imposed by law through constitutional provision or enabling legislation.

**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.

**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 Village’s cash basis of accounting.

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

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

**Long-Term Obligations**

The Village'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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay disbursements are reported at inception. Lease payments are reported when paid.

**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 primarily include resources restricted for police, FEMA and streets programs.

The Village'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.

**Fund Balance Reserves**

The Village 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.

**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 and after non-operating receipts/disbursements in proprietary 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: *COMPLIANCE***

Contrary to Section 5705.41(B), Ohio Revised Code, the Village's expenditures exceeded appropriations in the Medina county Engineer Project Fund.

Contrary to Section 5705.41(D), Ohio Revised Code, contracts or orders were entered into prior to obtaining certification of the fiscal officer.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 4: 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, Street Construction Maintenance and Repair, Medina County Engineer Project, and the Pochedley Trust Funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There are no outstanding encumbrances at year end, therefore, there is no difference in the fund balances.

**NOTE 5: DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village 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 Council has 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 Village 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;

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 5: DEPOSITS AND INVESTMENTS (continued)**

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;
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;
7. The State Treasurer's investment pool (STAR Ohio). Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Village cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited.

Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions

**Deposits** At year end, the carrying amount of the Village's deposits was \$204,000 and the bank balance was \$208,967. The entire bank balance of \$208,967 was covered by Federal Depository Insurance as of December 31, 2008.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 5: DEPOSITS AND INVESTMENTS (continued)**

***Investments***

Investments are reported at fair value. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. As of December 31, 2008, the Village had the following investments:

<u>Issue</u>	<u>Carrying Value</u>
STAR Ohio	\$12,246

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. During the year, the Village’s only investment was STAR Ohio, which has a maturity of less than one year.

*Credit Risk* – The Village’s only investment at December 31, 2008 was STAR Ohio, which is rated AAA by Standard & Poor’s.

*Concentration of Credit Risk* - The Village has no investment policy. During the year, the Village’s only investment was STAR Ohio.

**NOTE 6: PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Property tax receipt received during 2008 for real and public utility property taxes represents collections of the 2007 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009 operations.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

Village of Chippewa Lake  
 Medina County, Ohio  
*Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2008*

**NOTE 6: *PROPERTY TAX (continued)***

The full tax rate for all Village operations for the year ended December 31, 2008, as \$8.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

<b>Real Property Valuation:</b>	
Residential/Agriculture	\$15,331,270
Commercial/Industrial/Mineral	438,420
<b>Tangible Personal Property:</b>	
General	20,110
Public Utilities	<u>195,320</u>
 Total Valuation	 <u><u>\$15,985,120</u></u>

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

**NOTE 7: *DEFINED BENEFIT PENSION PLAN***

The Village 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. 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) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)**

For the year ended December 31, 2008, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2008 was 14.00 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$3,570, \$3,430, and \$2,814 respectively; the full amount has been contributed for 2008, 2007 and 2006.

**NOTE 8: POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan – a defined contribution plan; and the combined plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4643, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Village of Chippewa Lake  
Medina County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**NOTE 8:      **POSTEMPLOYMENT BENEFITS (continued)****

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS post employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to health care was 7.0% of covered healthcare. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's required contributions which were used to fund post-employment benefits for the year ended December 31, 2008 were \$1,785.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE 9:      **RISK MANAGEMENT****

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobile
- Public Officials Liability

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

Village Council  
Village of Chippewa Lake  
PO Box 25  
Chippewa Lake, OH 44215

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Chippewa Lake, Medina County, (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 28, 2010, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2008-01 described in the accompanying Schedule of Findings and Responses to be a material weakness.

**Village of Chippewa Lake**  
**Report on Internal Control Over**  
**Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements performed in**  
**Accordance with *Government Auditing Standards***  
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2008-02 through 2008-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 28, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express to opinion on them.

We intend this report solely for the information and use of management,\ and Village Council. We intend it for no one other than these specified parties.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

May 28, 2010

VILLAGE OF CHIPPEWA LAKE  
MEDINA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2008

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

Finding 2008-01 **Material Weakness**

Auditor of State Technical Bulletin 2002-004 requires that when the State of Ohio Public Works Commission (OPWC) pays contractors directly, the State will notify the Clerk/Treasurer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate fund equal to the amount disbursed by the State.

During 2008, OPWC paid \$47,219 directly to contractors. These transactions were not appropriately accounted for based on the aforementioned criteria.

When the OPWC pays the contractors directly, the Village must, for each project awarded, properly record the revenue and expenditure. The financial statements for 2008 were adjusted to properly present the OPWC grant.

Officials Response:

The Clerk/Treasurer posted all payments to contractors correctly. This one was an oversight. The Clerk/Treasurer will take care to record a receipt and expenditure in the appropriate fund equal to the amounts disbursed by the State.

Finding 2008-02 **Noncompliance**

Section 5705.41(D) Ohio Revised Code, states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk/Treasurer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

1. Then and Now Certificate – If the Clerk/Treasurer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

VILLAGE OF CHIPPEWA LAKE  
MEDINA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2008

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

2. If the amount is less than \$3,000 the Clerk/Treasurer may authorize payment through a Then and Now Certificate without the affirmation of the Board, if such expenditure is otherwise valid.

During fiscal year 2008, 53% of expenditures tested were certified after the invoice date(s). Also, neither of the two exceptions were utilized. We recommend the Village Clerk/Treasurer inform all Village employees of the requirements of Ohio Revised Code Section 5705.41(D). The Village should implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Revised Section 5705.41.

Officials Response:

The Clerk/Treasurer began utilizing "Then and Now Certificates" in September 2008, after the prior audit was completed and have used them since that time. This has been corrected.

*Finding 2008-03*      **Noncompliance**

Section 5705.41(B), Ohio Revised Code, states that no subdivision is to expend money unless it has been appropriated. The Medina County Engineer Project Fund had expenditures exceeding authorized appropriations by \$24,685 in 2008.

The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending and ensure appropriations authorized are posted accurately and timely. Also, appropriation amendments must be made prior to year end to be recognized by the Auditor of State.

Officials Response:

The Clerk/Treasurer will have Council approve any appropriation amendments before the end of the year.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2007-01	AOS Bulletin 2002-004 OPWC grant monies not recorded	No	Not Corrected Reissued as Finding 2008-01
2007-02	ORC Section 5705.41(B) Expenditures and encumbrances exceeding appropriations	No	Not Corrected Reissued as Finding 2008-03
2007-03	ORC Section 5705.41(D) Certification of fiscal officer	No	Not Corrected Reissued as Finding 2008-02



Mary Taylor, CPA  
Auditor of State

VILLAGE OF CHIPPEWA LAKE

MEDINA COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 20, 2010