

Village of Ripley  
Brown County, Ohio

Regular Audit

January 1, 2005, through December 31, 2007  
Fiscal Years Audited Under GAGAS: 2007, 2006 and 2005



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Ripley  
123 Water Works Road  
Ripley, Ohio 45167

We have reviewed the *Independent Auditor's Report* of the Village of Ripley, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

June 15, 2009

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## Independent Auditor's Report

Village of Ripley  
Brown County  
123 Water Works Rd.  
Ripley, Ohio 45167

We have audited the accompanying financial statements of the Village of Ripley, Brown County, (the Village) as of and for the years ended December 31, 2007, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. We believe our audit provides a reasonable basis for our opinion.

The accompanying 2007, 2006 and 2005 financial statements present receipts and disbursements by totals only. Ohio Administrative Code 117-2-02 (A) requires governments to classify receipt and disbursement transactions, however, the amounts in the receipts and appropriations ledgers, as presented, were not in agreement with the Village's cash journal.

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

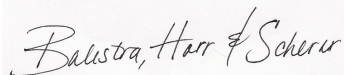
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007, 2006 and 2005, or its changes in financial position or cash flow for the years then ended.

Also, in our opinion, because of the effect of the matters discussed in a preceding paragraph regarding the omission of receipt and disbursement classifications, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balance of the Village of Ripley, Brown County, as of December 31, 2007, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, 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. 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.



Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2008

**VILLAGE OF RIPLEY  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance 1/1/2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2007</u>
<b>General</b>	\$ 15,849	\$ 563,711	\$ 480,466	\$ 99,094
<b>Special Revenue:</b>				
Street Construction, Maintenance and Repair	9,699	175,873	151,375	34,197
State Highway Improvement	7,660	7,836	2,416	13,080
Cemetery	2,312	15,160	19,103	(1,631)
Fire	(4,040)	160,496	152,078	4,378
Trees for Park	243	-	73	170
Education and Enforcement	2,424	236	75	2,585
Drug Law Enforcement	11,124	10,498	7,313	14,309
Liberty Monument	2,871	551	1,094	2,328
Total Special Revenue	<u>32,293</u>	<u>370,650</u>	<u>333,527</u>	<u>69,416</u>
<b>Permanent:</b>				
Perpetual Care	150,735	1,438	100	152,073
<b>Enterprise:</b>				
Water	11,964	409,705	205,285	216,384
Sewer	123,509	486,193	284,925	324,777
Electric	998,744	1,867,762	1,946,021	920,485
Meter Deposits	145,882	29,075	29,473	145,484
Garbage	35,290	142,370	134,747	42,913
Enterprise Improvement WWTP	7,395	299,126	299,126	7,395
Enterprise Improvement WTP	(2,633)	1,318,885	1,407,468	(91,216)
Total Enterprise	<u>1,320,151</u>	<u>4,553,116</u>	<u>4,307,045</u>	<u>1,566,222</u>
<b>Agency</b>				
Mayor's Court	4,926	91,958	92,835	4,049
Total All Funds:	<u>1,523,954</u>	<u>5,580,873</u>	<u>5,213,973</u>	<u>1,890,854</u>

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



**VILLAGE OF RIPLEY  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Balance 1/1/2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2006</u>
<b>General</b>	\$ 6,792	\$ 495,801	\$ 486,744	\$ 15,849
<b>Special Revenue:</b>				
Street Construction, Maintenance and Repair	30,216	166,614	187,131	9,699
State Highway Improvement	7,246	16,204	15,790	7,660
Cemetery	2,712	23,466	23,866	2,312
Fire	765	161,285	166,090	(4,040)
Trees for Park	243	-	-	243
Education and Enforcement	2,124	300	-	2,424
Drug Law Enforcement	8,530	5,411	2,817	11,124
Liberty Monument	2,591	312	32	2,871
Total Special Revenue	<u>54,427</u>	<u>373,592</u>	<u>395,726</u>	<u>32,293</u>
<b>Permanent:</b>				
Perpetual Care	147,965	2,770	-	150,735
<b>Enterprise:</b>				
Water	83,793	226,538	298,367	11,964
Sewer	152,031	416,039	444,561	123,509
Electric	1,215,023	1,837,969	2,054,248	998,744
Meter Deposits	149,911	21,529	25,558	145,882
Garbage	47,413	136,188	148,311	35,290
Enterprise Improvement WWTP	-	228,755	221,360	7,395
Enterprise Improvement WTP	-	1,910,886	1,913,519	(2,633)
Total Enterprise	<u>1,648,171</u>	<u>4,777,904</u>	<u>5,105,924</u>	<u>1,320,151</u>
<b>Agency</b>				
Mayor's Court	7,834	74,126	77,034	4,926
Total All Funds:	<u>1,865,189</u>	<u>5,724,193</u>	<u>6,065,428</u>	<u>1,523,954</u>

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

**VILLAGE OF RIPLEY  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance 1/1/2005</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2005</u>
<b>General</b>	\$ 36,701	\$ 536,890	\$ 566,799	\$ 6,792
<b>Special Revenue:</b>				
Street Construction, Maintenance and Repair	40,156	172,788	182,728	30,216
State Highway Improvement	17,403	18,374	28,531	7,246
Cemetery	2,892	30,180	30,360	2,712
Fire	55,484	128,414	183,133	765
Trees for Park	243	-	-	243
Education and Enforcement	2,112	353	341	2,124
Drug Law Enforcement	4,571	10,621	6,662	8,530
Liberty Monument	2,360	301	70	2,591
Total Special Revenue	<u>125,221</u>	<u>361,031</u>	<u>431,825</u>	<u>54,427</u>
<b>Permanent:</b>				
Perpetual Care	144,285	3,680	-	147,965
<b>Enterprise:</b>				
Water	99,249	224,917	240,373	83,793
Sewer	71,953	446,328	366,250	152,031
Electric	1,270,679	1,367,395	1,423,051	1,215,023
Meter Deposits	152,472	19,553	22,114	149,911
Garbage	32,594	146,673	131,854	47,413
Total Enterprise	<u>1,626,947</u>	<u>2,204,866</u>	<u>2,183,642</u>	<u>1,648,171</u>
<b>Agency</b>				
Mayor's Court	3,766	70,119	66,051	7,834
Total All Funds:	<u>1,936,920</u>	<u>3,176,586</u>	<u>3,248,317</u>	<u>1,865,189</u>

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

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ripley, Brown County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, electric, and sewer utilities, refuse pickup, and fire and police services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values common stock at fair value when donated.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

Voted Fire Levy Fund – This fund receives property tax from a levy to provide fire services to the village.

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Perpetual Care Fund – This fund receives a portion of the monies from collections for the sale of lots. Interest monies earned are to be used for maintenance and care of the Cemetery premises and are credited directly to the Cemetery fund for this purpose.

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Fund - This fund receives charges for electrical services provided to residents to cover the cost of providing the utility.

Water Treatment Plant Project – This fund began receiving monies in 2006 from the Ohio Public Works Commission to construct a new water treatment plant.

Wastewater Treatment Plant Project – This fund began receiving monies in 2006 from Ohio Public Works Commission to construct a new wastewater treatment plant.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village has no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court, which receives monies collected on fines imposed from tickets issued by the Village's police protection force.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber commitments required by Ohio law.

A summary of 2007, 2006, and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Cash and Investments**

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

	2007	2006	2005
Demand deposits	\$ 761,577	\$ 394,677	\$ 735,912
Certificates of deposit	1,128,403	1,128,403	1,128,403
Total deposits	1,889,980	1,523,080	1,864,315
Common stock (recorded at cost)	874	874	874
Total deposits and investments	<u>\$ 1,890,854</u>	<u>\$ 1,523,954</u>	<u>\$ 1,865,189</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash and Investments (continued)**

**Investments:** For the years ended December 31, 2007, 2006, and 2005, the Village held investments of stock. Shares of Procter and Gamble Common Stock were donated to the Village in 1967. The Village carries this stock on their records at \$874, which is the fair market value on the date of donation. The approximate value of the stock at December 31, 2007, 2006, and 2005, was \$18,493, \$16,159, and \$14,336, respectively.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007, 2006, and 2005, follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 696,819	\$ 563,711	\$ (133,108)
Special Revenue	360,908	370,650	9,742
Capital Projects	3,993,799	-	(3,993,799)
Enterprise	2,638,130	4,553,116	1,914,986
Permanent	4,733	1,438	(3,295)
Total	\$ 7,694,389	\$ 5,488,915	\$ (2,205,474)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 490,672	\$ 480,466	\$ 10,206
Special Revenue	404,824	333,527	71,297
Capital Projects	4,406,952	-	4,406,952
Enterprise	3,975,587	4,307,045	(331,458)
Permanent	153,385	100	153,285
Total	\$ 9,431,420	\$ 5,121,138	\$ 4,310,282

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 544,931	\$ 495,801	\$ (49,130)
Special Revenue	363,681	373,592	9,911
Capital Projects	7,174,184	-	(7,174,184)
Enterprise	2,163,203	4,777,904	2,614,701
Permanent	3,000	2,770	(230)
Total	\$ 10,248,999	\$ 5,650,067	\$ (4,598,932)

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 558,799	\$ 486,744	\$ 72,055
Special Revenue	429,468	395,726	33,742
Capital Projects	7,174,182	-	7,174,182
Enterprise	3,783,615	5,105,924	(1,322,309)
Permanent	150,965	-	150,965
Total	\$ 12,097,029	\$ 5,988,394	\$ 6,108,635

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 605,853	\$ 536,890	\$ (68,963)
Special Revenue	331,114	361,031	29,917
Capital Projects	375,000	-	(375,000)
Enterprise	2,100,000	2,204,866	104,866
Permanent	2,400	3,680	1,280
Total	\$ 3,414,367	\$ 3,106,467	\$ (307,900)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 665,521	\$ 566,799	\$ 98,722
Special Revenue	428,222	431,825	(3,603)
Capital Projects	375,000	-	375,000
Enterprise	3,698,753	2,183,642	1,515,111
Permanent	146,685	-	146,685
Total	\$ 5,314,181	\$ 3,182,266	\$ 2,131,915

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**4. Property Tax (continued)**

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 Fire Truck Bond	\$ 156,000	4.80%
1970 OWDA 1030	33,761	6.25%
2006 OWDA Loan 4539	2,510,437	0.00%
2006 OWDA Loan 4438	3,025,745	1.50%
2007 OWDA Loan 4752	187,740	3.97%
2007 OWDA Loan 4753	1,968	1.50%
Total	<u>\$ 5,915,651</u>	

October 24, 2001, the Village issued \$342,000 in Fire Truck Bonds for the purchase of a fire truck. The bonds are due in ten annual installments beginning October 1, 2002, and ending October 1, 2011, in varying principal amounts with an interest rate of 4.80%.

June 30, 1970, the Village obtained a loan from Ohio Water Development Authority (OWDA) in the amount of \$128,666 for a sewer project. The loan was for forty years due in semi-annual installments of \$4,411 through 2012, bearing interest at 6.25%.

January 26, 2006, the Village obtained a loan from OWDA in the amount of \$3,025,745 for a water treatment plant replacement project. The loan is for 30 years due in semi-annual installments on January 1 and July 1, bearing interest at 1.50%.

May 25, 2006, the Village obtained a loan from OWDA in the amount of \$2,783,573 for a wastewater treatment plant project. The loan is for 20 years due in semi-annual installments on January 1 and July 1, with no interest. As of December 31, 2007, \$2,510,438 of the loan has been utilized. Repayment will begin at the completion of the project.



**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**1. Debt (continued)**

July 26, 2007, the Village obtained a loan from OWDA in the amount of \$205,947 for a water treatment plant replacement project. The loan is for 30 years due in semi-annual installments on January 1 and July 1, bearing interest at 3.97%. As of December 31, 2007, \$187,741 of the loan has been utilized. Repayment will begin at the completion of the project.

May 31, 2007, the Village obtained a loan from OWDA in the amount of \$564,225 for water system improvements project. The loan is for 30 years due in semi-annual installments on January 1 and July 1, bearing interest of 1.50%. As of December 31, 2007, \$1,968 of the loan has been utilized. Repayment will begin at the completion of the project.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	2001 Fire Truck Bond	1978 OWDA 1030	2006 OWDA Loan 4438
2008	\$ 43,488	\$ 8,822	\$ 125,619
2009	43,760	8,822	125,619
2010	43,936	8,822	125,619
2011	44,016	8,822	125,619
2012	-	4,411	125,619
2013 – 2017	-	-	628,095
2018 – 2022	-	-	628,095
2023 – 2027	-	-	628,095
2028 – 2032	-	-	628,095
2032 – 2037	-	-	628,095
Total	<u>\$ 175,200</u>	<u>\$ 39,699</u>	<u>\$ 3,768,570</u>

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007, 2006, and 2005, OP&F participants contributed 10% of their wages. For 2007, 2006, and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007, 2006, and 2005, OPERS members contributed 9.5, 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85, 13.7, and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005  
(Continued)**

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles and equipment;
- Inland marine;
- Errors and omissions; and
- Umbrella for Volunteer Fireman's Insurance

The Village also provides health insurance coverage to full-time employees through a private carrier.

**9. Accountability and Compliance**

Contrary to the Ohio Revised Code section 733.28 the Village did not maintain a proper accounting system.

Contrary to the Ohio Revised Code section 5705.36 the Village had several funds with appropriations in excess of available resources.

Contrary to the Ohio Revised Code section 5705.36 the Village did not file with the County Auditor their total amounts from all sources available for expenditures.

Contrary to the Ohio Revised Code section 9.38 the Village did not make timely deposits of public monies.

Contrary to the Ohio Revised Code section 5705.41(D)(1) the Village did not properly encumber funds prior to expending them.

Contrary to the Ohio Revised Code section 5705.41(B) the Village did not properly file their appropriations with the County Auditor.

Contrary to the Ohio Revised Code section 5705.10 the Village had negative fund balance at year end.

Contrary to the Ohio Revised Code section 5705.14 the Village made transfers with out board approval.

Contrary to the Ohio Revised Code section 731.12 the Village paid a council member to be a volunteer firefighter while receiving pay for sitting on council.

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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 of Ripley  
Brown County  
123 Water Works Rd.  
Ripley, Ohio 45167

We have audited the financial statements of the Village of Ripley, Brown County, (the Village) as of and for the years ended December 31, 2007, 2006 and 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and have issued our report thereon dated September 30, 2008. The Village did not present receipts and disbursements in accordance with administrative code 117-2-01(A) which requires the Village to classify receipts and disbursements transactions which we issued an adverse opinion. 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 Village'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 Village's internal control over financial reporting. Accordingly, we have not opined 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 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 Village'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 Village'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 a significant deficiency in internal control over financial reporting: 2007-001 and 2007-002.

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

Village of Ripley

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiencies described above, as findings 2007-001 and 2007-002 we believe the findings are also a material weakness.

We also noted certain internal control matters that we are reported to the Village's management in a separate letter dated September 3, 2008.

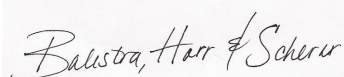
#### **Compliance and Other Matters**

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001, 2007-003 through 2007-010.

We also noted certain noncompliance or other matters what we reported to the Village's management in a separate letter dated September 30, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.  
September 30, 2008

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007, 2006 AND 2005**

**FINDING NUMBER 2007-001**

**Significant Deficiency/Material Weakness/Material Non-Compliance**

Ohio Revised Code section 733.28 requires that the Village clerk keep the books of the village, exhibit accurate statements of all moneys received and expended. In addition Ohio Admin Code section 117-2-02-(A), requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Clerk did not maintain an accounting system that allowed her to properly identify, assemble, analyze, classify, record and report its transactions during the audit period.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Village's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Village funds, reduces the Councils' ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Village's financial statements will be misstated.

The Village should implement procedures to ensure that receipts are accurately and completely stated, and to ensure that the accounting records of the Village are accurate and complete.

*Client Response:* The Village was in the process of converting to the UAN system. This problem has already been rectified for all future audits.

**FINDING NUMBER 2007-002**

**Significant Deficiency/Material Weakness**

Accurate and timely reconciliations between the Village's book balance and bank balances are a basic and important internal control. It reduces the risk that errors, theft or fraud may occur and not be detected in a timely manner. Reconciliations are also an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution.

The only reconciliations provided by the Village during the audit period ending December 31, 2007 was January – November 2005. No other reconciliations were prepared during the audit period. The reconciliations that were provided included unexplained variances that had not been corrected.

Accurate and timely reconciliations should be performed monthly by the Village Fiscal Officer. Additionally, the monthly reconciliations should be provided to the Village Council for their review. This can help to hinder any misappropriations of funds and detect any errors which may have occurred on the books or by the bank. These errors can then be immediately identified and corrected.

*Client Response:* This issue was unavoidable due to past audit inaccuracies. We now have good balances and each month is reconciled accordingly.

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007, 2006 AND 2005**

**FINDING NUMBER 2007-003**

**Material Noncompliance Citation**

Ohio Revised Code Section 5705.36 requires obtaining a reduced amended certificate if the amount of the deficiency between estimated and available resources will reduce available resources below the current level of appropriation. Since the expenditure of Village funds is based on the estimated resources, instances when budgetary estimates do not meet budgetary estimates could lead to overspending. Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus actual receipts), instances were noted where appropriations were in excess of available resources in several funds in 2005 and 2006 at years' end. The Village should implement monitoring procedures to ensure compliance with 5705.36. Procedures for monitoring for compliance with this section ensure that monies are not expended in excess of allowable limits (unencumbered balances and estimated resources).

Furthermore, Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Estimated receipts exceeding actual revenues could lead to overspending by the Village. In 2005 and 2006 estimated revenues exceeded actual receipts in several funds at years' end. The Village should monitor variances between estimated and actual revenues and amend certificates as necessary.

*Client Response:* This will be taken care of through auto maintenance with the UAN.

**FINDING NUMBER 2007-004**

**Material Non-Compliance**

Ohio revised code section 5705.36 states in part that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures form each fund in the tax budget along with any unencumbered balances existing at the end or the preceding year.

The Village did not certify to the county auditor all resources available for all sources for 2007, 2006 and 2005.

The Village should implement internal controls that ensure all documents required to be filed with the county auditor are being filed by the required date.

*Client Response:* I was always told that it had to be turned in before the 1<sup>st</sup> budget meeting in February. I will correct accordingly.

**FINDING NUBMER 2007-005**

**Material Non-Compliance**

Ohio Revised Code section 9.38 states in part that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

The Village was not making timely deposits during the course of the audit period.

The Village should deposit public monies by the following business day.

*Client Response:* Income tax has been outsourced to RITA. Thus this problem will be rectified fro all future audits.

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007, 2006 AND 2005**

**FINDING NUMBER 2007-006**

**Material Noncompliance Citation**

ORC 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. A fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any encumbrance.

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 certificate ("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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3000 (\$1,000 prior to April 7, 2003) 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 expenditure by the Village.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 one particular line item appropriation.

The availability of funds were not certified in 100% of the Villages expenditures tested, nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders.

The Village did not certify the availability of funds or properly utilize the encumbrance method of accounting by certifying funds on purchase orders.

Procedures should be adopted by the Village that would assure that commitments are properly encumbered prior to the expenditure of Village funds.

*Client Response:* The deficiency will be corrected.

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007, 2006 AND 2005**

**FINDING NUMBER 2007-007**

**Material Non-Compliance**

Ohio Revised Code section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village's expenditures exceed appropriations in all funds for 2006 due to the Village not properly filing its appropriations measure with the County Auditor and in the Police fund for 2007.

The Village should monitor expenditures during the year and amend their appropriations as needed.

*Client Response:* We are now using purchases orders and we are following all guidelines for UAN.

**FINDING NUMBER 2007-008**

**Material Non-Compliance**

Ohio Revised Code section 5705.10 states in part the money paid into any fund shall be used only for the purpose of which the fund is established.

The Village has a negative fund balance in the Cemetery fund and the Enterprise Improvement WTP fund at 12/31/07. Also The Village has a negative fund balance in the Fire fund and the Enterprise Improvement WTP fund at 12/31/06. Negative cash balances indicate that monies from one fund were used to pay expenditures for another fund.

The Village should only use money paid into each fund for the purpose for which the fund was established.

*Client Response:* We are on the UAN system and fund balances are being monitored closely. We are using our PO system and this should no longer be an issue.

**FINDING NUMBER 2007-009**

**Material Non-Compliance**

Ohio Revised Code section 5705.14 states no transfer can be made from one fund of a subdivision to any fund, except from the general fund with a simple majority of the governing body. Other Transfers allowable which require a two thirds vote of the governing body include: certain transfers from bond retirement sinking, and permanent improvement funds as well as balances remaining in any special fund after the termination of the activity, service, or other undertaking for which such special fund existed.

The Village made transfers in 2007, 2006 and 2005 that were not approved in the Village minutes.

The Village should not make transfers unless the transfers is a legal transfer and it has been approved by the a two thirds vote of the governing body.

*Client Response:* The error will not be repeated. Future transfers will be taken to council for approval.



**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007, 2006 AND 2005**

**FINDING NUMBER 2007-010**

**Material Non-Compliance**

Ohio Revised Code section 731.12 states in part that no member of the legislative authority shall hold any other public office, be interested in any contract with the village, or hold employment with the said village, except that such member may be a notary public, a member of the state militia, or a volunteer firefighter of said village, provided that such member shall not receive any compensation for his services as a volunteer fireman of the village in addition to his regular compensation as a member of the legislative authority. Any member who ceases to possess any of such qualifications or who removes from the village shall forfeit the member's office.

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Revised Code § 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Revised Code § 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Revised Code § 2921.42 (A)(3) prohibits an officer, during this term of office or within one year after such term, to hold any position of profit in a public contract that was authorized by him or by a legislative body, commission, or board of which he was a member, even where he did not vote. This prohibition does not apply where the contract has been competitively bid. Public employment constitutes a public contract for these purposes.

Ohio Revised Code § 2921.42 (A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

In 2005, Barry Sims served as a member of the Village Council and was also paid for being a volunteer firefighter. He was paid \$1,130.00 in 2005 for the volunteer firefighter position.

The Village should, with the help of its legal counsel, develop a formal policy regarding related party transactions to govern transactions in which members of the Village may have a personal interest. This policy may include Village Council members abstaining from voting on related party items, advertising contracts for bid, etc. Additionally, the Village should review the Ohio Revised Code section 731.12 and ensure that no member of council holds any other position/office within the Village.

The Auditor of State will be referring this matter to the Ohio Ethics Commission.

*Client Response:* Upon notification of this issue, the practice was stopped and will not be repeated.

**VILLAGE OF RIPLEY  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC 5705.41 (D) properly encumbering of funds	No	Reissued as 2007-006
2004-002	ORC 5705.14 Transfers of funds	Yes	



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF RIPLEY**

**BROWN 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  
JUNE 30, 2009**