



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF RIPLEY
BROWN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2012 and 2011
Fiscal Years Audited Under GAGAS: 2012 and 2011



Dave Yost • Auditor of State

Members of Village Council
Village of Ripley
120 Waterworks 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, 2011 through December 31, 2012. 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 Ripley is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 12, 2013

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VILLAGE OF RIPLEY
BROWN COUNTY, OHIO

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Village of Ripley
Brown County
123 Waterworks Rd
Ripley, Ohio 45167

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Ripley, Brown County, (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Ripley, Brown County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As described in Note 8 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013, on our consideration of the Village's internal control over financial reporting and on 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the Village's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 11, 2013

**Village of Ripley
Brown County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2012*

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 23,739	\$ 122,271	\$ -	\$ 146,010
Municipal Income Tax	220,530	-	-	220,530
Intergovernmental	92,721	99,442	-	192,163
Special Assessments	5,620	-	-	5,620
Charges for Services	24,967	54,205	1,475	80,647
Fines, Licenses and Permits	61,425	508	-	61,933
Earnings on Investments	17,367	770	-	18,137
Miscellaneous	22,944	9,201	-	32,145
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	469,313	286,397	1,475	757,185
Cash Disbursements:				
Current:				
Security of Persons & Property	298,722	96,160	-	394,882
Public Health Services	4,178	15,551	-	19,729
Transportation	37,482	168,779	-	206,261
General Government	100,390	-	-	100,390
Capital Outlay	100,801	-	-	100,801
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	541,573	280,490	-	822,063
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> <u>(72,260)</u>	<hr/> <u>5,907</u>	<hr/> <u>1,475</u>	<hr/> <u>(64,878)</u>
Other Financing Receipts and (Disbursements):				
Transfers In		67,515	-	67,515
Transfers Out	<hr/> <u>(67,515)</u>	<hr/> <u>-</u>	<hr/> <u>-</u>	<hr/> <u>(67,515)</u>
Total Other Financing Receipts and (Disbursements)	<hr/> <u>(67,515)</u>	<hr/> <u>67,515</u>	<hr/> <u>-</u>	<hr/> <u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(139,775)	73,422	1,475	(64,878)
Fund Cash Balances, January 1	<hr/> <u>342,958</u>	<hr/> <u>121,172</u>	<hr/> <u>162,133</u>	<hr/> <u>626,263</u>
Fund Cash Balances, December 31				
Nonspendable	10,127		163,608	173,735
Restricted		194,594		194,594
Unassigned	193,056			193,056
Fund Cash Balances, December 31	<hr/> <u>\$ 203,183</u>	<hr/> <u>\$ 194,594</u>	<hr/> <u>\$ 163,608</u>	<hr/> <u>\$ 561,385</u>

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

**Village of Ripley
Brown County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2012*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,696,960	\$ -	\$ 2,696,960
Total Operating Cash Receipts	2,696,960	-	2,696,960
Operating Cash Disbursements:			
Personal Services	449,326	-	449,326
Employee Fringe Benefits	145,166	-	145,166
Contractual Services	1,109,733	-	1,109,733
Supplies and Materials	239,889	-	239,889
Other	31,645	-	31,645
Total Operating Cash Disbursements	1,975,759	-	1,975,759
Operating Income	721,201	-	721,201
Non-Operating Receipts (Disbursements):			
Capital Outlay	(447,962)	-	(447,962)
Redemption of Principal	(287,233)	-	(287,233)
Interest and Other Fiscal Charges	(55,961)	-	(55,961)
Proceeds from Debt	69,952	-	69,952
Other Financing Sources	-	54,576	54,576
Other Financing Uses	-	(54,576)	(54,576)
Total Non-Operating Receipts/(Disbursements)	(721,204)	-	(721,204)
Net Receipts Over/(Under) Disbursements	(3)	-	(3)
Fund Cash Balances, January 1	1,697,417	4	1,697,421
Fund Cash Balances, December 31	<u>\$ 1,697,414</u>	<u>\$ 4</u>	<u>\$ 1,697,418</u>

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

**Village of Ripley
Brown County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2011*

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 25,572	\$ 131,822	\$ -	\$ 157,394
Municipal Income Tax	217,487	-	-	217,487
Intergovernmental	201,859	101,101	-	302,960
Special Assessments	9,875	98	-	9,973
Charges for Services	10,475	54,420	1,350	66,245
Fines, Licenses and Permits	78,254	1,492	-	79,746
Earnings on Investments	20,307	1,046	-	21,353
Miscellaneous	18,387	3,328	-	21,715
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	582,216	293,307	1,350	876,873
Cash Disbursements:				
Current:				
Security of Persons & Property	309,307	144,306	-	453,613
Public Health Services	3,009	16,945	-	19,954
Transportation	40,000	147,429	-	187,429
General Government	103,828	-	-	103,828
Capital Outlay	25,082	-	-	25,082
Debt Service:				
Principal Payments		42,000	-	42,000
Interest and Fiscal Charges		2,016	-	2,016
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	481,226	352,696	-	833,922
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	100,990	(59,389)	1,350	42,951
Other Financing Receipts and (Disbursements):				
Transfers In	-	85,010	-	85,010
Transfers Out	(85,010)	-	-	(85,010)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts and Disbursements	(85,010)	85,010	-	-
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	15,980	25,621	1,350	42,951
Fund Cash Balances, January 1, as restated	<hr/>	<hr/>	<hr/>	<hr/>
	326,978	95,551	160,783	583,312
Fund Cash Balances, December 31				
Nonspendable	10,059	-	162,133	172,192
Restricted	-	121,172	-	121,172
Unassigned	332,899	-	-	332,899
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 342,958	\$ 121,172	\$ 162,133	\$ 626,263

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

**Village of Ripley
Brown County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2011*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,745,684	\$ -	\$ 2,745,684
Total Operating Cash Receipts	2,745,684	-	2,745,684
Operating Cash Disbursements:			
Personal Services	444,117	-	444,117
Employee Fringe Benefits	128,580	-	128,580
Contractual Services	1,166,068	-	1,166,068
Supplies and Materials	167,401	-	167,401
Other	37,021	-	37,021
Total Operating Cash Disbursements	1,943,187	-	1,943,187
Operating Income	802,497	-	802,497
Non-Operating Receipts (Disbursements):			
Capital Outlay	(560,421)	-	(560,421)
Redemption of Principal	(276,092)	-	(276,092)
Interest and Other Fiscal Charges	(54,865)	-	(54,865)
Proceeds from Debt	229,002	-	229,002
Other Financing Sources	-	76,433	76,433
Other Financing Uses	-	(76,372)	(76,372)
Total Non-Operating Receipts/(Disbursements)	(662,376)	61	(662,315)
Net Receipts Over Disbursements	140,121	61	140,182
Fund Cash Balances, January 1	1,557,296	(57)	1,557,239
Fund Cash Balances, December 31	<u>\$ 1,697,417</u>	<u>\$ 4</u>	<u>\$ 1,697,421</u>

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

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

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, (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. Deposits 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than private-purpose trusts or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

1. Summary of Significant Accounting Policies (continued)

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

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 and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

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 (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

1. Summary of Significant Accounting Policies (continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 Deposits and Investments

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

	2012	2011
Demand deposits	\$1,004,526	\$994,407
Certificates of deposit	1,253,403	1,328,403
Total deposits	2,257,929	2,322,810
Common stock (at cost)	874	874
Total deposits and investments	\$2,258,803	\$2,323,684

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: For the years ended December 31, 2012 and 2011, 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.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$325,755	\$469,313	\$143,558
Special Revenue	332,671	353,912	21,241
Enterprise	3,526,569	2,766,912	(759,657)
Permanent	7,244	1,475	(5,769)
Total	\$4,192,239	\$3,591,612	(\$600,627)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$687,886	\$609,088	\$78,798
Special Revenue	439,477	280,490	158,987
Enterprise	5,019,062	2,766,915	2,252,147
Permanent	161,383	-	161,383
Total	\$6,307,808	\$3,656,493	\$2,651,315

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$531,420	\$582,216	\$50,796
Special Revenue	325,033	378,317	53,284
Enterprise	3,647,435	2,974,686	(672,749)
Permanent	16,300	1,350	(14,950)
Total	\$4,520,188	\$3,936,569	(\$583,619)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$778,013	\$566,236	\$211,777
Special Revenue	428,098	352,696	75,402
Enterprise	4,907,316	2,834,565	2,072,751
Permanent	161,383	-	161,383
Total	\$6,274,810	\$3,753,497	\$2,521,313

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

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.

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

Due to errors in the prior audit report's debt note disclosures, restatements had to be made to correct the outstanding debt balances. These restatements to the note had no effect on the fund balances of the Village. Restatements to prior year's reported debt balances are as follows:

	Principal Balance at December 31, 2010	Restatements	Restated Principal Balance at December 31, 2010
2001 Fire Truck Bond	\$ 42,000	\$ -	\$ 42,000
1970 OWDA Loan 1030	12,340	-	12,340
2006 OWDA Loan 4539	2,348,926	-	2,348,926
2006 OWDA Loan 4438	2,780,488	-	2,780,488
2007 OWDA Loan 4752	181,077	3,385	184,462
2010 OWDA Loan 5634	400	-	400
2009 OPWC CT45L	-	389,613	389,613
Total	<u>\$5,365,231</u>	<u>\$392,998</u>	<u>\$5,758,229</u>

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

6. Debt (Continued)

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2006 OWDA Loan 4539	\$2,070,569	0.00%
2006 OWDA Loan 4438	\$2,610,767	1.50%
2007 OWDA Loan 4752	\$176,942	3.97%
2010 OWDA Loan 5634	\$152,128	1.50%
OPWC Loan CT43I	\$338,348	0.00%
OPWC Loan CT45L	\$66,827	0.00%
Garbage Truck Loan	\$57,504	3.50%
Total	<u>\$5,473,085</u>	

June 30, 1970, the Village obtained a loan from Ohio Water Development Authority (OWDA) in the amount of \$128,666 for a sewer project (Loan Number 1030). The loan was for forty years due in semi-annual installments of \$4,411 through 2012, bearing interest at 6.25%. The loan was paid in full in 2012.

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%. The bonds were paid in full in 2011.

May 25, 2006, the Village obtained a loan from OWDA in the amount of \$2,783,574 for a wastewater treatment plant project (Loan number 4539). The loan is for 20 years due in semi-annual installments on January 1 and July 1, with no interest. As of December 31, 2012, \$2,766,463 of the loan has been utilized.

January 26, 2006, the Village obtained a loan from OWDA in the amount of \$3,025,745 for a water treatment plant replacement project (Loan Number 4438). The loan is for 30 years due in semi-annual installments on January 1 and July 1, bearing interest at 1.50%. As of December 31, 2012, the total amount of the loan has been utilized.

May 31, 2007, the Village obtained a loan from OWDA in the amount of \$564,225 for water system improvements project (Loan Number 4753). 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, 2012, \$23,896 of the loan has been utilized. OWDA began retiring loan 4753 in 2009 before any substantial disbursements had been made on the Village's behalf. At December 31, 2010, the loan had a negative balance of \$16,292. OWDA collected \$15,473 and \$15,706 in principal payments in 2011 and 2012, respectively, while disbursing \$9,952 to contractors on behalf of the Village in 2012. At December 31, 2012 this loan had a negative balance of \$37,519.

July 26, 2007, the Village obtained a loan from OWDA in the amount of \$191,413 for a water treatment plant replacement project (Loan Number 4752). 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, 2012, the total amount of the loan has been utilized.

March 25, 2010, the Village obtained a loan from OWDA in the amount of \$160,750 for a sewer extension project (Loan number 5634). The loan is for 30 years due in semi-annual installments on January 1 and July 1, bearing interest at 1.50%. As of December 31, 2012, the total amount of the loan has been utilized.

The Village had two OPWC loans outstanding at December 31, 2012. Loan CT43I, obtained in 2009 in the amount of \$410,119, was used for the replacement of the wastewater treatment plant. Loan CT45L, obtained in 2012 in the amount of \$67,960, was used for the Eagle Creek sewer extension project.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

6. Debt (Continued)

August 14, 2012, the Village obtained a bond from First State Bank in the amount of \$60,000 in order to partially finance the purchase of a Trash Compactor Vehicle. The term of the bond is 5 years, bearing an interest rate of 3.5%. Payments are due quarterly and with principal retirement began in December of 2012.

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

Year ending December 31:	2006 OWDA Loan 4539	2006 OWDA Loan 4438	2007 OWDA Loan 4752	2008 OWDA Loan 4753
2013	\$ 139,179	\$ 125,619	\$ 10,973	\$ 23,425
2014	139,179	125,619	10,973	23,425
2015	139,179	125,619	10,973	23,425
2016	139,179	125,619	10,973	23,425
2017	139,179	125,619	10,973	23,425
2018-2022	695,893	628,095	54,865	117,124
2023-2027	695,893	628,095	54,865	117,124
2028-2032	-	628,095	54,865	117,124
2033-2037	-	628,095	54,865	117,124
2038-2041	-	-	10,973	23,386
Total	<u>\$ 2,087,681</u>	<u>\$ 3,140,475</u>	<u>\$ 285,298</u>	<u>\$ 609,007</u>

Year ending December 31:	2010 OWDA Loan 5634	2009 OPWC Loan CT43I	2012 OPWC Loan CT45L	2012 Garbage Truck Bond
2013	\$ 6,674	\$ 10,253	\$ 2,265	\$ 13,059
2014	6,674	20,506	2,265	13,059
2015	6,674	20,506	2,265	13,059
2016	6,674	20,506	2,265	13,059
2017	6,674	20,506	2,265	10,076
2018-2022	33,369	102,530	11,327	-
2023-2027	33,369	102,530	11,327	-
2028-2032	33,369	41,012	11,327	-
2033-2037	33,369	-	11,327	-
2038-2041	20,021	-	10,194	-
Total	<u>\$ 186,867</u>	<u>\$ 338,349</u>	<u>\$ 66,827</u>	<u>\$ 62,312</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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

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 5705.41(D)(1) the Village did not properly encumber funds prior to expending them.

10. Fund Balances

The Village implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Special Revenue Funds	Permanent Fund	Total Governmental Funds
December 31, 2011				
Nonspendable				
Cemetery Trust	\$ -	\$ -	\$ 162,133	\$ 162,133
Unclaimed Monies	10,059	-	-	10,059
Total Nonspendable	<u>\$ 10,059</u>	<u>\$ -</u>	<u>\$ 162,133</u>	<u>\$ 172,192</u>
Restricted for				
Street Construction & Maintenance	\$ -	\$ 54,605	\$ -	\$ 54,605
State Highway	-	22,091	-	22,091
Cemetery	-	13,056	-	13,056
Parks/Recreation	-	27	-	27
Law Enforcement	-	2,181	-	2,181
Fire	-	27,722	-	27,722
Liberty Monument	-	1,490	-	1,490
Total Restricted	<u>\$ -</u>	<u>\$ 121,172</u>	<u>\$ -</u>	<u>\$ 121,172</u>
Unassigned	<u>\$ 332,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,899</u>
Total Fund Balances	<u>\$ 342,958</u>	<u>\$ 121,172</u>	<u>\$ 162,133</u>	<u>\$ 626,263</u>

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

10. Fund Balances (Continued)

Fund Balances	General	Special Revenue Funds	Permanent Fund	Total Governmental Funds
December 31, 2012				
Nonspendable				
Cemetery Trust	\$ -	\$ -	\$ 163,608	\$ 163,608
Unclaimed Monies	10,127	-	-	10,127
Total Nonspendable	<u>\$ 10,127</u>	<u>\$ -</u>	<u>\$ 163,608</u>	<u>\$ 173,735</u>
Restricted for				
Street Construction & Maintenance	\$ -	\$ 43,087	\$ -	\$ 43,087
State Highway	-	32,714	-	32,714
Cemetery	-	8,793	-	8,793
Parks/Recreation	-	27	-	27
Law Enforcement	-	2,736	-	2,736
Fire	-	105,260	-	105,260
Liberty Monument	-	1,977	-	1,977
Total Restricted	<u>\$ -</u>	<u>\$ 194,594</u>	<u>\$ -</u>	<u>\$ 194,594</u>
Unassigned	<u>\$ 193,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,056</u>
Total Fund Balances	<u>\$ 203,183</u>	<u>\$ 194,594</u>	<u>\$ 163,608</u>	<u>\$ 561,385</u>

11. Restatement of Beginning Fund Balances

The Village created an agency fund for unclaimed monies during 2011. Long outstanding checks were voided and the funds were allocated to the Unclaimed Monies fund. This fund is mapped into the General Fund for reporting purposes, the effect of the restatement is shown below:

Fund Balances, January 1, 2011	<u>\$ 316,919</u>
Adjustment to Fund Balance	<u>10,059</u>
Restated Fund Balance, January 1, 2011	<u>\$ 326,978</u>



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Ripley
Brown County
120 Waterworks Road
Ripley, Ohio 45167

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Ripley, Brown County, (the Village) as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, and have issued our report thereon dated June 11, 2013, wherein we noted the Village followed accounting and financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, described in Note 1 and implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, 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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 an instance of noncompliance or other matters we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2012-002.

Purpose of this Report

This report only describes the scope of our internal control testing and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

June 11, 2013

**VILLAGE OF RIPLEY
BROWN COUNTY**

**DECEMBER 31, 2012 AND 2011
SCHEDULE OF FINDINGS**

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

FINDING NUMBER 2012-001

Material Weakness

Accurate financial reporting is an important part of the Village's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The Village had numerous adjustments and reclassifications due to errors noted in the receipting and disbursing process. The following areas had audit adjustments and reclassifications made to the Village's financial statements:

- Debt Proceeds
- Capital Contributions
- Charges for Services
- Principal and Interest Expenses
- Transfers In/Out

The audited financial statements and Village records have been adjusted for the misstatements above. The following audit areas contained errors, however were not materially misstated:

- Intergovernmental Revenue
- Property Tax Revenue
- Income Tax Revenue
- Miscellaneous Revenue
- Capital Outlay

The aforementioned errors were the result of a lack of internal controls of financial reporting. This lack of internal control over financial reporting exists primarily due to the recent implementation of accounting software at the Village.

The presentation of materially incorrect financial statements is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Council, which they may use to facilitate Village decisions.

All adjustments effecting fund balances have been made to the Village's accounting system.

We recommend the Village implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

Client Response: The Village chose not to respond to the finding.

VILLAGE OF RIPLEY
BROWN COUNTY

DECEMBER 31, 2012 AND 2011
SCHEDULE OF FINDINGS
(Continued)

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

FINDING NUMBER 2012-002

Material Noncompliance

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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.

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

A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment or the amount due. 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 \$3,000 maybe paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.

C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified for a portion of the expenditures tested for 2011 and 2012. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41(D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: The Village chose not to respond to the finding.

**VILLAGE OF RIPLEY
BROWN COUNTY
DECEMBER 31, 2012 AND 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	ORC Section 5705.36(A)(2) – Appropriations in excess of available resources	No	Reissued as a management letter comment
2010-002	ORC Section 5705.41(D) – Encumbrance of funds prior to obligation	No	Reissued as material noncompliance 2012-002
2010-003	ORC Section 9.38 – Timely Deposits	No	Reissued as a management letter comment
2010-004	Material Weakness – Utility Customer Account Adjustments	Yes	
2010-005	Material Weakness – Segregation of Duties over Utilities	Yes	
2010-006	Material Weakness – Timely posting of utility payments	Yes	
2010-007	Material Weakness – Utility Deposits	No	Partially Corrected - Reissued as a management letter comment
2010-008	Significant Deficiency – Cashing of Personal and Third-Party Checks	Yes	
2010-009	ORC Section 5705.39 – Appropriations limited by estimated resources	No	Reissued as a management letter comment

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Dave Yost • 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
SEPTEMBER 24, 2013**