



**Auditor of State
Betty Montgomery**

VILLAGE OF RIPLEY
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2003	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 6, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ripley, Brown County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. 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.

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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

During 2004 the Village transferred \$23,286 from the Hazard Mitigation Fund to the General Fund. Ohio Rev. Code, Section 5705.14(B) restricts the inter-fund transfers from capital projects funds. Had this transfer not been made, the effect would have been to increase the cash balance and decrease disbursements of the Hazard Mitigation Fund by \$23,286 to \$146,147 and to decrease the cash balance and decrease receipts of the General Fund by \$23,286 to \$13,415 as of and for the year ended December 31, 2004.

Also, in our opinion, except for the matter referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Ripley, Brown County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and 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 October 6 2006, 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.

This report is intended solely for the information and use of the management, the Village Council, and other officials authorized to received this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 6, 2006

**VILLAGE OF RIPLEY
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fiduciary Fund Type				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$17,203	\$101,489			\$118,692
Income Tax	272,287				272,287
Intergovernmental Receipts	39,479	203,142	175,935		418,556
Charges for Services	22,000	13,006			35,006
Fines, Licenses, and Permits	52,033	1,755			53,788
Earnings on Investments	36,803	3,015			39,818
Other Revenue	64,516	7,458		452	72,426
Total Cash Receipts	504,321	329,865	175,935	452	1,010,573
Cash Disbursements:					
Current:					
Security of Persons and Property	313,568	198,290			511,858
Public Health Services		25,772			25,772
Transportation		172,980			172,980
General Government	180,106				180,106
Debt Service:					
Principal Payments		42,165			42,165
Interest Payments		14,516			14,516
Capital Outlay	3,843	9,674	175,935		189,452
Total Cash Disbursements	497,517	463,397	175,935	0	1,136,849
Total Receipts Over/(Under) Disbursements	6,804	(133,532)	0	452	(126,276)
Other Financing Receipts and (Disbursements):					
Other Financing Sources (Uses)	(4,477)	1,846			(2,631)
Transfers-In	23,286	118,922			142,208
Transfers-Out	(43,000)	0	(23,286)	0	(66,286)
Total Other Financing Receipts/(Disbursements)	(24,191)	120,768	(23,286)	0	73,291
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,387)	(12,764)	(23,286)	452	(52,985)
Fund Cash Balances, January 1	54,088	135,625	23,286	1,908	214,907
Fund Cash Balances, December 31	\$36,701	\$122,861	\$0	\$2,360	\$161,922

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 - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	1,928,474	2,410		1,930,884
Miscellaneous	9,352			9,352
Total Operating Cash Receipts	1,937,826	2,410	0	1,940,236
Operating Cash Disbursements:				
Personal Services	489,788			489,788
Contractual Services	1,100,049			1,100,049
Supplies and Materials	262,029			262,029
Capital Outlay	115,716			115,716
Miscellaneous	9,230			9,230
Total Operating Cash Disbursements	1,976,812	0		1,976,812
Operating Income/(Loss)	(38,986)	2,410	0	(36,576)
Non-Operating Cash Receipts:				
Proceeds of Notes	17,500			17,500
Other Non-Operating Receipts	21,657		48,689	70,346
Total Non-Operating Cash Receipts	39,157	0	48,689	87,846
Non-Operating Cash Disbursements:				
Debt Service - Principal	57,713			57,713
Debt Service - Interest	4,431			4,431
Other Non-Operating Cash Disbursements	23,836		49,156	72,992
Total Non-Operating Cash Disbursements	85,980	0	49,156	135,136
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(85,809)	2,410	(467)	(83,866)
Transfers - Out	(75,922)			(75,922)
Net Receipts Over/(Under) Disbursements	(161,731)	2,410	(467)	(159,788)
Fund Cash Balances, January 1	1,788,678	141,875	4,233	1,934,786
Fund Cash Balances, December 31	\$1,626,947	\$144,285	\$3,766	\$1,774,998

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 - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$14,295	\$91,107			\$105,402
Municipal Income Tax	238,658				238,658
Intergovernmental Receipts	99,581	94,647	5,000		199,228
Charges for Services	22,000	10,906			32,906
Fines, Licenses, and Permits	82,256	3,830			86,086
Earnings on Investments	39,473	5,355			44,828
All Other Revenue	35,557	30,234		223	66,014
Total Cash Receipts	531,820	236,079	5,000	223	773,122
Cash Disbursements:					
Current:					
Security of Persons and Property	343,427	113,227			456,654
Public Health Services	418	26,324		75	26,817
Transportation		104,076			104,076
General Government	222,333				222,333
Capital Outlay		22,127	7,500		29,627
Debt Service					
Debt Service - Principal		49,497			49,497
Debt Service - Interest		16,380			16,380
Total Cash Disbursements	566,178	331,631	7,500	75	905,384
Total Receipts Over/(Under) Disbursements	(34,358)	(95,552)	(2,500)	148	(132,262)
Other Financing Receipts and (Disbursements):					
Proceeds of Notes		12,165			12,165
Transfers-In	4,800	116,833			121,633
Transfers-Out	(41,852)				(41,852)
Other Financing Uses		(124)			(124)
Total Other Financing Receipts/(Disbursements)	(37,052)	128,874	0	0	91,822
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(71,410)	33,322	(2,500)	148	(40,440)
Fund Cash Balances, January 1 (restated)	125,498	102,303	25,786	1,760	255,347
Fund Cash Balances, December 31	\$54,088	\$135,625	\$23,286	\$1,908	\$214,907

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 - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
Operating Cash Receipts:					
Charges for Services	\$1,880,102	\$1,150			\$1,881,252
Miscellaneous	2,400				2,400
Total Operating Cash Receipts	1,882,502	1,150			1,883,652
Operating Cash Disbursements:					
Personal Services	437,960				437,960
Refunds	1,228				1,228
Contractual Services	1,028,579				1,028,579
Supplies and Materials	105,773				105,773
Miscellaneous	2,769				2,769
Capital Outlay	28,244				28,244
Total Operating Cash Disbursements	1,604,553	0			1,604,553
Operating Income/(Loss)	277,949	1,150			279,099
Non-Operating Cash Receipts:					
Proceeds Of Notes	35,000				35,000
Other Financing Sources	56,115				56,115
Other Non-Operating Receipts			82,344		82,344
Total Non-Operating Cash Receipts	91,115	0	82,344		173,459
Non-Operating Cash Disbursements:					
Debt Service - Principal	79,797				79,797
Debt Service - Interest	7,189				7,189
Other Non-Operating Cash Disbursements	22,843		85,088		107,931
Total Non-Operating Cash Disbursements	109,829	0	85,088		194,917
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	259,235	1,150	(2,744)		257,641
Transfers-Out	(79,781)				(79,781)
Net Receipts Over/(Under) Disbursements	179,454	1,150	(2,744)		177,860
Fund Cash Balances, January 1	1,609,224	140,725	6,977		1,756,926
Fund Cash Balances, December 31	\$1,788,678	\$141,875	\$4,233		\$1,934,786

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, 2004 AND 2003**

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 governs 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. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 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.

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

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Village Capital Improvement Fund – This fund receives grant monies to improve Village facilities.

Hazard Migration – This fund receives grant monies for use in clean-up efforts after flooding and other disasters.

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 utilities.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court (Agency Fund) – This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization, and general Village operations.

Perpetual Care Fund (Nonexpendable Trust) – 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 (Expendable Trust) fund for this purpose.

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, 2004 AND 2003
(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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber commitments as required by Ohio law.

A summary of 2004 and 2003 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:

	2004	2003
Demand deposits	\$807,643	\$1,020,416
Certificates of deposit	1,128,403	1,128,403
Total deposits	<u>1,936,046</u>	<u>2,148,819</u>
Common stock (entity recorded at cost.)	874	874
Total investments	<u>874</u>	<u>874</u>
Total deposits and investments	<u><u>\$1,936,920</u></u>	<u><u>\$2,149,693</u></u>

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments: For the years ended December 31, 2004 and 2003, 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, 2004 and 2003 was \$7,050 and \$12,785, respectively.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$600,000	\$527,607	(\$72,393)
Special Revenue	473,497	450,633	(22,864)
Capital Projects	203,270	175,935	(27,335)
Expendable Trust	225	452	227
Enterprise	1,911,000	1,976,983	65,983
Total	<u>\$3,187,992</u>	<u>\$3,131,610</u>	<u>(\$56,382)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$682,909	\$544,994	\$137,915
Special Revenue	595,601	463,397	132,204
Capital Projects	226,556	199,221	27,335
Expendable Trust	2,133	0	2,133
Enterprise	3,671,480	2,138,714	1,532,766
Total	<u>\$5,178,679</u>	<u>\$3,346,326</u>	<u>\$1,832,353</u>

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budget Receipts	Actual Receipts	Variance
General	\$670,000	\$536,620	(\$133,380)
Special Revenue	489,385	365,077	(124,308)
Capital Projects	5,000	5,000	0
Expendable Trust	400	223	(177)
Enterprise	1,984,500	1,973,617	(10,883)
Total	<u>\$3,149,285</u>	<u>\$2,880,537</u>	<u>(\$268,748)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$827,222	\$608,030	\$219,192
Special Revenue	490,254	331,755	158,499
Capital Projects	30,786	7,500	23,286
Expendable Trust	2,160	75	2,085
Enterprise	3,565,525	1,794,163	1,771,362
Total	<u>\$4,915,947</u>	<u>\$2,741,523</u>	<u>\$2,174,424</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following October 6 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
2002 Ohio Water Development Authority Loan	\$22,500	2.20%
2001 Fire Truck Bond	256,000	4.80%
1996 Ohio Water Development Authority Loan	5,000	0.00%
1978 Ohio Water Development Authority Loan	51,620	6.25%
Total	\$335,120	

June 25, 2002 the Village obtained a loan from the Ohio Water Development Authority (OWDA) loan for Wastewater Planning, in the amount of \$25,000. The payments are due July 1st of each year for ten years. Starting with the fourth annual payment in 2007 interest will be charged at 2.2% annually.

May 27, 1993 the Village was approved for an OWDA loan for Wastewater Treatment System Improvement planning in the amount of \$50,000. The first annual installment was due in ten annual payments of \$5,000 beginning January 1, 1996 with an annual rate of 0.00%. The final payment on the loan was made on January 1, 2005.

June 30, 1970, the Village obtained a loan from 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%.

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 11, 2002 and ending October 1, 2011, in varying principal amounts with an interest rate of 4.8%.

January 10, 2001 the Village issued Trash Compactor Truck Acquisition Bond Anticipation Notes in the principal amount of \$69,750 for the purpose of purchasing a garbage truck. The Village rolled the note over on January 10, 2002 and January 10, 2003 paying a portion of principal each time. The notes were fully retired on December 9, 2004.

June 14, 2000 the Village issued a Street Truck Acquisition Bond Anticipation Note in the amount of \$34,836 and interest rate of 5.70%, due October 6 14, 2001. The note was issued to purchase a Street Truck to be used on the streets. Subsequent to this the Village rolled the note over in 2002, 2003 and 2004 and on October 6 29, 2004 the Village retired the note. .

December 11, 2002 the Village issued a Bond Anticipation Note in the amount of \$16,940 and an interest rate of 4.25%. The note was to purchase a truck for the Sewer Department. The note was retired on December 10, 2003.

December 16, 2004 the Village issued a note with OWDA in the amount of \$275,194 for a Waste Water Treatment Plant. The Village did not start the project in 2004 and did not receive any proceeds during 2004.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	2002 OWDA Loan	2001 Fire Truck Bond	1996 OWDA Loan	1978 OWDA Loan
2005	\$2,500	\$44,288	\$5,000	\$8,822
2006	2,500	43,752		8,823
2007	2,885	44,168		8,822
2008	2,830	43,488		8,822
2009	2,775	43,760		8,823
2010-2013	10,550	87,952		22,055
Total	<u>\$24,040</u>	<u>\$307,408</u>	<u>\$5,000</u>	<u>\$66,167</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers [and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant [and 24 percent of fire participant] wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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;
- Umbrella for Volunteer Firemen's Insurance.

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

**VILLAGE OF RIPLEY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. RESTATEMENT OF FUND BALANCE

The general and community development fund beginning balances have been restated to correct prior year expenditure posting errors. Prior year local share expenditures for the CDBG grant should have been expended from the general fund, but were expended from the community development fund in error. Therefore, a prior period adjustment was made to correct the posting of these expenditures from the community development fund to the general fund. The adjustment and correction had the following effect on the fund balances at January 1, 2003:

Fund Type	General Fund	Special Revenue	Capital Projects	Expendable Trust
Fund Balance 12/31/02	\$129,998	\$93,103	\$21,286	\$10,960
CDBG Expenditures	(4,500)		4,500	
Fund Reclassifications		9,200		(9,200)
Fund Balance 1/1/03 (restated)	<u>\$125,498</u>	<u>\$102,303</u>	<u>\$25,786</u>	<u>\$1,760</u>



**Auditor of State
Betty Montgomery**

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

Village of Ripley
Brown County
123 Water Works Road
Ripley, Ohio 45167

To the Village Council:

We have audited the financial statements of the Village of Ripley, Brown County, Ohio (the Village), as of and for the year ended December 31 2004 and 2003, and have issued our report thereon dated October 6 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures in order express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated October 6 , 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 two instances of noncompliance or other matters we must report under *Government Auditing Standards*, finding numbers 2004-001 and 2004-002. In a separate letter to the Village's management dated October 6 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and village council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 6, 2006

VILLAGE OF RIPLEY
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 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. The 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 previous 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 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 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 (\$1,000 prior to April 7, 2003) 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.

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 any one particular line item appropriation.
3. 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 reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified in 100% of the Village's 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. Failure to properly certify funds could result in overspending the Village's funds.

**FINDING NUMBER 2004-001
(Continued)**

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

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

FINDING NUMBER 2004-002

Noncompliance Citation/Finding for Adjustment/Reportable Condition

Ohio Rev. Code, Section 5705.14, generally prohibits inter-fund transfers except as provided for in that section, and in sections 5705.15 & 5705.16. The Village collects Kilowatt Tax each month and deposits the tax money into the Electric Fund. The Village then transfers the kilowatt tax money into the Street Maintenance and Repair Fund each month. During 2004 and 2003, the Village transferred kilowatt tax in the amount of \$75,922 and \$79,781, respectively from the Electric Fund to the Street Maintenance and Repair Fund. The Village has authorized by resolution that the proceeds from the tax can be used for street repair. The Village should discontinue the practice of transferring funds from the Electric Fund and should deposit the kilowatt tax directly into the Street Maintenance and Repair Fund.

Additionally the Village transferred \$23,286 from the Hazard Mitigation Fund to the General Fund. Ohio Rev. Code, Section 5705.14(B) allows the transfer of the unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvements, shall be transferred to the sinking fund or bond retirement fund to the subdivision. However, if such money is not required to meet the obligation payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

Upon approval from the Ohio Emergency Management Agency, the Village council passed Resolution 201 which authorized the transfer of funds remaining in the Hazard Mitigation Fund to the General Fund. However, the Village did not obtain approval from the court for the transfer. Had this transfer not been made, the effect would have been to increase the cash balance and decrease disbursements of the Hazard Mitigation Fund by \$23,286 to \$146,147 and to decrease the cash balance and decrease receipts of the General Fund by \$23,286 to \$13,415.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Village's General fund in the amount of \$23,286 and in favor of the Hazard Mitigation Fund.

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF RIPLEY
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-VOR-001	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources.	No	Partially corrected. Reported in the 2004-2003 Management Letter.
2002-VOR-002	Ohio Revised Code Section 5705.41(B) Expenditures exceeded appropriations	No	Partially corrected. Reported in the 2004-2003 Management Letter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
NOVEMBER 9, 2006**