

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Aberdeen  
P.O. Box 509  
Aberdeen, Ohio 45101

We have reviewed the *Independent Auditors' Report* of the Village of Aberdeen, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 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 Auditors' 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 Auditors' 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 Aberdeen is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 14, 2008

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**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of Village Council  
Village of Aberdeen  
99 Main Cross  
Aberdeen, OH 45101

We have audited the accompanying financial statements of the Village of Aberdeen, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require, villages 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 years ended December 31, 2007 and 2006 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 and 2006, or their changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 August 29, 2008, 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 testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 29, 2008



**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 98,364	\$ 25,415	\$ 123,779
Intergovernmental	27,204	62,145	89,349
Charges for Services	138,621	-	138,621
Licenses, Permits, and Fees	47,023	-	47,023
Municipal Income Tax	133,651	-	133,651
Earnings on Investments	4,509	9,963	14,472
Other Revenue	9,266	394	9,660
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	458,638	97,917	556,555
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	97,872	-	97,872
Security of Persons and Property	234,224	10,263	244,487
Basic Utility Services	103,902	-	103,902
Transportation	-	91,630	91,630
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	435,998	101,893	537,891
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	22,640	(3,976)	18,664
Fund Cash Balances, January 1	98,178	62,122	160,300
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 120,818</u>	<u>\$ 58,146</u>	<u>\$ 178,964</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$ 10,216</u>	<u>\$ 1,741</u>	<u>\$ 11,957</u>

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

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO**

**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, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 530,537	\$ -	\$ 530,537
Total Operating Cash Receipts	<u>530,537</u>	<u>-</u>	<u>530,537</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	116,717	-	116,717
Fringe Benefits	59,827	-	59,827
Contractual Services	161,013	-	161,013
Supplies and Materials	66,610	-	66,610
Other	8,208	-	8,208
Total Operating Cash Disbursements	<u>412,375</u>	<u>-</u>	<u>412,375</u>
Operating Income	<u>118,162</u>	<u>-</u>	<u>118,162</u>
<b>Non-Operating Cash Receipts:</b>			
Loan proceeds	93,641	-	93,641
Other Non-Operating Receipts	<u>-</u>	<u>47,244</u>	<u>47,244</u>
Total Non-Operating Cash Receipts	<u>93,641</u>	<u>47,244</u>	<u>140,885</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	66,720	-	66,720
Debt Service - Interest	21,886	-	21,886
Capital Outlay	10,641	-	10,641
Other Non-Operating Cash Disbursements	<u>-</u>	<u>47,336</u>	<u>47,336</u>
Total Non-Operating Cash Disbursements	<u>99,247</u>	<u>47,336</u>	<u>146,583</u>
Net Receipts Over/(Under) Disbursements	112,556	(92)	112,464
Fund Cash Balances, January 1	<u>499,490</u>	<u>1,790</u>	<u>501,280</u>
Fund Cash Balances, December 31	<u>\$ 612,046</u>	<u>\$ 1,698</u>	<u>\$ 613,744</u>
Reserve for Encumbrances, December 31	<u>\$ 7,236</u>	<u>\$ -</u>	<u>\$ 7,236</u>

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

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 100,742	\$ 25,156	\$ 125,898
Intergovernmental	33,728	65,486	99,214
Charges for Services	130,977	-	130,977
Licenses, Permits, and Fees	76,112	-	76,112
Municipal Income Tax	129,862	-	129,862
Earnings on Investments	3,417	9,726	13,143
Other Revenue	4,914	771	5,685
	<u>479,752</u>	<u>101,139</u>	<u>580,891</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	99,474	-	99,474
Security of Persons and Property	228,030	1,746	229,776
Basic Utility Services	110,547	-	110,547
Transportation	-	85,502	85,502
Capital Outlay	-	413	413
	<u>438,051</u>	<u>87,661</u>	<u>525,712</u>
<b>Total Cash Disbursements</b>			
<b>Total Receipts Over Disbursements</b>	41,701	13,478	55,179
<b>Fund Cash Balances, January 1</b>	<u>56,477</u>	<u>48,644</u>	<u>105,121</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 98,178</u>	<u>\$ 62,122</u>	<u>\$ 160,300</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 6,776</u>	<u>\$ 1,455</u>	<u>\$ 8,231</u>

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

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO**

**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, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 478,527	\$ -	\$ 478,527
Total Operating Cash Receipts	<u>478,527</u>	<u>-</u>	<u>478,527</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	113,400	-	113,400
Fringe Benefits	51,147	-	51,147
Contractual Services	138,403	-	138,403
Supplies and Materials	56,696	-	56,696
Other	4,565	-	4,565
Total Operating Cash Disbursements	<u>364,211</u>	<u>-</u>	<u>364,211</u>
Operating Income	<u>114,316</u>	<u>-</u>	<u>114,316</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	<u>779</u>	<u>81,750</u>	<u>82,529</u>
Total Non-Operating Cash Receipts	<u>779</u>	<u>81,750</u>	<u>82,529</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	72,320	-	72,320
Debt Service - Interest	23,181	-	23,181
Other Non-Operating Cash Disbursements	<u>-</u>	<u>83,650</u>	<u>83,650</u>
Total Non-Operating Cash Disbursements	<u>95,501</u>	<u>83,650</u>	<u>179,151</u>
Net Receipts Over/(Under) Disbursements	19,594	(1,900)	17,694
Fund Cash Balances, January 1	<u>479,896</u>	<u>3,690</u>	<u>483,586</u>
Fund Cash Balances, December 31	<u>\$ 499,490</u>	<u>\$ 1,790</u>	<u>\$ 501,280</u>
Reserve for Encumbrances, December 31	<u>\$ 4,553</u>	<u>\$ -</u>	<u>\$ 4,553</u>

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

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Aberdeen, Brown County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides water and sewer utilities and police protection.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Investments in STAR Ohio (the State Treasurer's investment pool) are recorded at share values reported by the State Treasurer.

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

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

**2. Special Revenue Funds**

These funds are used to 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 Fund:

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

**3. Enterprise Funds**

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

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

*Water Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

**4. Fiduciary Fund (Agency Fund)**

Funds for which the village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

*Mayor's Court* – This agency fund receives fines due the Village collected by the Mayor's Court.

**E. Budgetary Process**

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

**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 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.

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

**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 re-appropriated.

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

**F. Property, Plant and Equipment**

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

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash deposit pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2007 and 2006 was as follows:

Deposits:	<u>2007</u>	<u>2006</u>
Demand deposits	\$547,911	\$428,803
Investments in STAR Ohio	<u>244,797</u>	<u>232,777</u>
Total deposits and investments	<u>\$792,708</u>	<u>\$661,580</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

**3. BUDGETARY ACTIVITY**

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 455,350	\$ 458,638	\$ 3,288
Special Revenue	110,200	97,917	(12,283)
Enterprise	699,200	624,178	(75,022)
Total	\$ 1,264,750	\$ 1,180,733	\$ (84,017)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 462,126	\$ 446,214	\$ 15,912
Special Revenue	116,368	103,634	12,734
Enterprise	703,892	518,858	185,034
Total	\$ 1,282,386	\$ 1,068,706	\$ 213,680

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 381,000	\$ 479,752	\$ 98,752
Special Revenue	97,300	101,139	3,839
Enterprise	696,500	479,306	(217,194)
Total	\$ 1,174,800	\$ 1,060,197	\$ (114,603)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 404,293	\$ 444,827	\$ (40,534)
Special Revenue	95,192	89,116	6,076
Enterprise	821,392	464,265	357,127
Total	\$ 1,320,877	\$ 998,208	\$ 322,669



**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

**4. COMPLIANCE**

Ohio Revised Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following funds had expenditures that exceeded appropriations:

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	2006	\$ 404,293	\$ 444,827	\$ 40,534
Street	2006	71,221	72,186	965
Water Operating	2006	170,481	171,454	973
Water Operating	2007	177,641	181,513	3,872

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources:

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Law and Education	2006	\$ 2,300	\$ 2,140	\$ 160
Federal Drug	2006	1,127	851	276
Water Deposits	2006	10,000	-	10,000
Permissive Motor Vehicle	2007	8,000	4,412	3,588
State Drug	2007	1,286	934	352
Federal Drug	2007	1,127	851	276
Sewer Capital Project	2007	139	95	44
Water Deposits	2007	5,000	-	5,000

**5. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

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.

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 822,867	2.20%
Ohio Public Works Commission Loan	199,945	0.00%
Integra Bank Loan - Meters Project 2007	83,000	5.34%
Ohio Water Development Authority Loan 2007	10,641	2.86%
Total	<u>\$ 1,116,453</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The OWDA has approved the loan for this project up to \$1,316,354. The loan will be repaid in semiannual installments of \$40,856, including interest, over 20 years. The scheduled payment amount below assumes that \$1,316,354 was borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan was finalized in 2001 and also relates to the sewer plant expansion project. This loan will be repaid in semi-annual installments of \$6,895, over 20 years. The loan is collateralized by sewer receipts.

The Village obtained a loan for \$83,000 from Integra Bank in July 2007 for funding the cost of installation of water meters within a section of the Villages' water and sewer service area. The Village cancelled and repaid the loan including accrued interest in February 2008 due to obtaining a loan from OWDA (discussed below).

The Village obtained approval for a 20 year Ohio Water Development Authority (OWDA) for \$785,192 on October 25, 2007, for the purpose of installing water meters. As of December 31, 2007, only \$10,641 of the loan had been disbursed on behalf of the Village by OWDA. The Village expects the balance of the OWDA loan to be disbursed by the end of 2008 and expects annual payments to begin in 2009. The loan interest rate is 2.86% and will require semi-annual payments for 20 years in an amount to be determined once the final loan amount is finalized.

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

Amortization of the above debt, including interest, is scheduled below. Amortization of the Ohio Water Development Authority Loan 2007 is not reflected below as a final payment schedule has not been established due to the interim nature of the project.

Year ending Decmber 31:	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>Integra Bank Loan</u>
2008	\$ 81,712	\$ 13,790	\$ 85,765
2009	81,712	13,790	-
2010	81,712	13,790	-
2011	81,712	13,790	-
2012	81,712	13,790	-
2013-2017	408,560	68,948	-
2018-2021	326,842	62,047	-
Total	<u>\$ 1,143,962</u>	<u>\$ 199,945</u>	<u>\$ 85,765</u>

**7. RETIREMENT MANAGEMENT**

The Village's law enforcement officers 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 post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their gross salaries. The Village contributed an amount equal to 14 percent of participants' gross salaries.

For 2007 and 2006, OPER's members contributed 9.5 and 9 percent, respectively, of their gross salaries. The Village contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**8. RISK POOL MANAGEMENT**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the member's deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(continued)**

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$2,405,834	\$2,331,284
Liabilities	<u>(2,877,385)</u>	<u>(3,130,475)</u>
Retained deficit	<u>(\$ 471,551)</u>	<u>(\$ 799,191)</u>

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

**9. CONTINGENT LIABILITIES**

The Village is a defendant in a several lawsuits. Although the outcomes of the lawsuits are not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

# Bastin & Company, LLC

*Certified Public Accountants*

## **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***

The Honorable Members of Village Council  
Village of Aberdeen  
99 Main Cross  
Aberdeen, OH 45101

We have audited the financial statements of the Village of Aberdeen, Brown County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 29, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings as 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-02 and 2007-03.

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, express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated August 29, 2008.

This report is intended solely for the information and use of, management, and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 29, 2008

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

**FINDING NUMBER 2007 – 01**

Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, which is applicable to the Village, is included in the SAS related to audit adjustments and it states the following:

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. The audit adjustments were necessary to correct errors in the Village's financial statements and notes. A description of each adjustment follows:

**ODWA Debt** – An audit adjustment was necessary to correct payments made on behalf of the Village by OWDA. Capital outlay expenditures and OWDA loan proceeds in the Water Operating Fund understated by \$10,641 for 2007.

**Debt Service** – Audit adjustments were necessary to properly classify debt payments in the Sewer Operations Fund. Principal payments on debt were recorded as interest expense in the amounts of \$72,320 and \$66,720, for 2006 and 2007, respectively.

Audit adjustments were also necessary to correctly record \$83,000 of loan proceeds in the Water Operating Fund that had been recorded as Special Assessments Revenue.

**Unreconciled Balances Caused by Specific Transactions** – Audit adjustments were necessary to resolve an unreconciled cash balance at December 31, 2007. An analysis of the Village's records determined that approximately 200 individual transactions had not been posted or were incorrectly posted to the Village's accounting system resulting in unreconciled balance to accumulate through December 31, 2007 totaling a net of \$17,214.

Adjustments were necessary to various revenue and expenditure line items and across multiple funds. Cash balances as of January 1, 2006 were also adjusted for prior audit adjustments that had not been posted.

In summary, the fund cash balances recorded by the Village's accounting system were overstated by \$17,214 as of December 31, 2007. The overstatement was a result of the Village over recording revenues in 2007 by \$9,377, under recording expenses in 2007 by \$3,938, under recording expenses in 2006 by \$12,900 and not recording audit adjustments from years prior to 2006 totaling (\$9,001).

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

In addition, properly resolving bank reconciling items and making appropriate adjustments in a timely manner is an important control to ensure that all transactions are properly recorded or properly handled by the financial institution. We recommend that procedures be implemented to ensure that all transactions are properly recorded and that monthly bank reconciliations be properly performed and all reconciling items be accounted for and corrected as needed.

**Village’s Response**

The OWDA payment had been overlooked due to the fact that OWDA no longer informs the Village when the check has been cut and sent. On all OWDA projects, we will make sure the Clerk has a copy of each pay request so we can monitor the website for any payments made on our behalf. We will set up and apply payments to the correct fund and appropriation codes so principal and interest payments will be labeled correctly. We will also improve procedures over bank reconciliations to ensure that unreconciled balances are corrected in a timely manner.

**FINDING NUMBER 2007 – 02**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following funds had expenditures that exceeded appropriations:

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	2006	\$ 404,293	\$ 444,827	\$ 40,534
Street	2006	71,221	72,186	965
Water Operating	2006	170,481	171,454	973
Water Operating	2007	177,641	181,513	3,872

**Village’s Response**

Village Council will more closely monitor budgetary variances by requiring monthly budgetary status reports from the Clerk.



**FINDING NUMBER 2007 – 03**

Noncompliance Citation

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources:

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Law and Education	2006	\$ 2,300	\$ 2,140	\$ 160
Federal Drug	2006	1,127	851	276
Water Deposits	2006	10,000	-	10,000
Permissive Motor Vehicle	2007	8,000	4,412	3,588
State Drug	2007	1,286	934	352
Federal Drug	2007	1,127	851	276
Sewer Capital Project	2007	139	95	44
Water Deposits	2007	5,000	-	5,000

**Village's Response**

Village Council will more closely monitor estimated resources during the year by obtaining monthly budgetary estimated resources status reports from the Clerk.

**VILLAGE OF ABERDEEN  
BROWN COUNTY, OHIO  
SCHEDULE OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Status Explanation</b>
2005-001	Expenditures exceeded appropriations noncompliance citation ORC Section 5705.41B	No	Not corrected. Restated as finding 2007-002.
2005-002	Appropriations in excess of estimated resources noncompliance citation ORC Section 5705.39	No	Not corrected. Restated as finding 2007-003.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF ABERDEEN**

**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 6, 2008**