



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF ABERDEEN  
BROWN COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Village of Aberdeen  
Brown County  
P.O. Box 509  
Aberdeen Ohio, 45101

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Aberdeen, Brown County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 such 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Aberdeen, Brown County as of December 31, 2017 and 2016, 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(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, 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. That report describes 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 Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 5, 2019

VILLAGE OF ABERDEEN, BROWN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

**All Governmental Fund Types**

For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Taxes	\$14,438	\$22,861	\$37,299
Municipal Income Tax	125,973	0	125,973
Intergovernmental	29,179	53,134	82,313
Charges for Services	155,933	0	155,933
Fines, Licenses and Permits	64,183	680	64,863
Earnings on Investments	849	180	1,029
Miscellaneous	28,451	1,980	30,431
<i>Total Cash Receipts</i>	<u>419,006</u>	<u>78,835</u>	<u>497,841</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons & Property	200,644	407	201,051
Leisure Time Activities	8,413	0	8,413
Basic Utility Services	144,710	0	144,710
Transportation	0	42,582	42,582
General Government	127,351	47,272	174,623
Debt Service:			
Principal Retirement	0	4,900	4,900
Interest and Fiscal Charges	0	341	341
<i>Total Cash Disbursements</i>	<u>481,118</u>	<u>95,502</u>	<u>576,620</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(62,112)</u>	<u>(16,667)</u>	<u>(78,779)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Proceeds from Sale of Capital Assets	833	833	1,666
Transfers In	380,766	0	380,766
Transfers Out	(217)	0	(217)
Other Financing Uses	(44,917)	0	(44,917)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>336,465</u>	<u>833</u>	<u>337,298</u>
<i>Net Change in Fund Cash Balances</i>	274,353	(15,834)	258,519
<i>Fund Cash Balances, January 1</i>	<u>\$190,973</u>	<u>\$70,784</u>	<u>\$261,757</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	54,950	54,950
Assigned	57,434	0	57,434
Unassigned (Deficit)	407,892	0	407,892
<i>Fund Cash Balances, December 31</i>	<u>\$465,326</u>	<u>\$54,950</u>	<u>\$520,276</u>

See Accompanying Notes to the financials

VILLAGE OF ABERDEEN, BROWN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

**All Proprietary and Fiduciary Fund Types**

For the Year Ended December 31, 2017

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$359,514	\$0	\$359,514
<i>Total Operating Cash Receipts</i>	<u>359,514</u>	<u>0</u>	<u>359,514</u>
<b>Operating Cash Disbursements</b>			
Personal Services	75,179	0	75,179
Fringe Benefits	14,640	0	14,640
Contractual Services	149,400	0	149,400
Supplies and Materials	20,937	0	20,937
Other	3,420	0	3,420
<i>Total Operating Cash Disbursements</i>	<u>263,576</u>	<u>0</u>	<u>263,576</u>
<i>Operating Income (Loss)</i>	<u>95,938</u>	<u>0</u>	<u>95,938</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	4,721	0	4,721
Principal Retirement	(81,061)	0	(81,061)
Interest and Other Fiscal Charges	(6,555)	0	(6,555)
Proceeds from Sale of Capital Assets	833	0	833
Other Financing Sources	0	66,189	66,189
Other Financing Uses	0	(65,980)	(65,980)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(82,062)</u>	<u>209</u>	<u>(81,853)</u>
<i>Income (Loss) before Transfers</i>	13,876	209	14,085
Transfers In	217	0	217
Transfers Out	(380,766)	0	(380,766)
<i>Net Change in Fund Cash Balance</i>	(366,673)	209	(366,464)
<i>Fund Cash Balances, January 1</i>	<u>\$545,016</u>	<u>(\$350)</u>	<u>\$544,666</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$178,343</u></u>	<u><u>(\$141)</u></u>	<u><u>\$178,202</u></u>

See Accompanying Notes to the Financials



**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 1 - Reporting Entity**

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***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:

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***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.

***Mayor's Court*** - This fund receives fines and forfeitures collected by Mayor's Court which are distributed to various agencies as prescribed by the Ohio Revised Code.

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) as of January the County Budget Commission must approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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

***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:

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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

***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.

***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.

***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.

***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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$808,666	\$800,605	(\$8,061)
Special Revenue	70,025	79,668	9,643
Enterprise	402,700	365,285	(37,415)
Total	\$1,281,391	\$1,245,558	(\$35,833)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$632,498	\$526,252	106,246
Special Revenue	141,565	95,502	46,063
Enterprise	941,112	731,958	209,154
Total	\$1,715,175	\$1,353,712	361,463

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 4 – 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:

Demand deposits	<u>\$698,478</u>
Total deposits	<u>\$698,478</u>

***Deposits***

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

The Village's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

**Note 5 – Taxes**

***Property Taxes***

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.

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

***Income Taxes***

The Village levies a municipal income tax of 1.00 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 Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3306	\$247,388	2.20%
Ohio Public Works Commission Loan	55,158	0.00%
Ohio Water Development Authority Loan #4804	527,016	2.86%
Mower Loan	11,373	3.60%
<b>Total</b>	<b>\$840,935</b>	

During 2000, the Village obtained an Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The loan will be repaid in semiannual installments of \$36,913 including interest. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 2001, the Village obtained an Ohio Public Works Commission (OPWC) loan for a sewer plant expansion project. This loan will be repaid in semi-annual installments of \$6,895. The loan is collateralized by sewer receipts.

During 2007, the Village obtained an Ohio Water Development Authority (OWDA) loan for \$863,740 for installing water meters. As of December 31, 2013, \$851,179 of the loan had been disbursed on behalf of the Village by OWDA. Until the project is finalized, the loan requires semiannual installments of \$28,505, including interest, over 20 years. In 2017, the Brown County Rural Water Association (BCRWA) assumed responsibility of payments for this loan since the Aberdeen water system was sold to BCRWA in 2017.

***Amortization***

Year Ending December 31:	Ohio Water Development Authority Loans	Ohio Public Work Commission Loan	Leases	Total
2018	130,006	13,790	5,241	149,037
2019	130,006	13,790	5,241	149,037
2020	130,006	13,790	1,096	144,892
2021	130,006	13,788		143,794
2022	56,180			56,180
2023-2027	280,900			280,900
2028	56,180			56,180
<b>Total</b>	<b>913,284</b>	<b>55,158</b>	<b>11,578</b>	<b>980,020</b>

**Note 10 – Transfers**

During 2017, the Village sold the Village Water System to the Brown County Rural Water Association (BCRWA). The remaining fund balance in the Village’s water fund was approved by court order to be transferred from the water fund to the general fund in the amount of \$380,766.

VILLAGE OF ABERDEEN, BROWN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

**All Governmental Fund Types**

For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Taxes	\$17,935	\$22,161	\$40,096
Municipal Income Tax	152,350	0	152,350
Intergovernmental	27,793	53,759	81,552
Charges for Services	119,005	0	119,005
Fines, Licenses and Permits	80,180	4,534	84,714
Earnings on Investments	1,053	97	1,150
Miscellaneous	8,747	3,235	11,982
<i>Total Cash Receipts</i>	<u>407,063</u>	<u>83,786</u>	<u>490,849</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons & Property	217,910	8,500	226,410
Leisure Time Activities	7,627	0	7,627
Basic Utility Services	127,709	0	127,709
Transportation	0	56,248	56,248
General Government	100,255	19,088	119,343
Debt Service:			
Principal Retirement	0	4,727	4,727
Interest and Fiscal Charges	0	514	514
<i>Total Cash Disbursements</i>	<u>453,501</u>	<u>89,077</u>	<u>542,578</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(46,438)</u>	<u>(5,291)</u>	<u>(51,729)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	107	0	107
Other Financing Uses	(27,337)	0	(27,337)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(27,230)</u>	<u>0</u>	<u>(27,230)</u>
<i>Net Change in Fund Cash Balances</i>	(73,668)	(5,291)	(78,959)
<i>Fund Cash Balances, January 1</i>	<u>\$264,641</u>	<u>\$76,075</u>	<u>\$340,716</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	70,784	70,784
Unassigned (Deficit)	190,973	0	190,973
<i>Fund Cash Balances, December 31</i>	<u>\$190,973</u>	<u>\$70,784</u>	<u>\$261,757</u>

See Accompanying Notes to the Financials

VILLAGE OF ABERDEEN, BROWN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

**All Proprietary and Fiduciary Fund Types**

For the Year Ended December 31, 2016

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$669,022	\$0	\$669,022
<i>Total Operating Cash Receipts</i>	<u>669,022</u>	<u>0</u>	<u>669,022</u>
<b>Operating Cash Disbursements</b>			
Personal Services	136,445	0	136,445
Fringe Benefits	40,162	0	40,162
Contractual Services	183,503	0	183,503
Supplies and Materials	36,759	0	36,759
Other	10,260	0	10,260
<i>Total Operating Cash Disbursements</i>	<u>407,129</u>	<u>0</u>	<u>407,129</u>
<i>Operating Income (Loss)</i>	<u>261,893</u>	<u>0</u>	<u>261,893</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	14,257	0	14,257
Miscellaneous Receipts	4,561	0	4,561
Principal Retirement	(99,304)	0	(99,304)
Interest and Other Fiscal Charges	(16,403)	0	(16,403)
Other Financing Sources	0	86,756	86,756
Other Financing Uses	0	(92,236)	(92,236)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(96,889)</u>	<u>(5,480)</u>	<u>(102,369)</u>
<i>Net Change in Fund Cash Balance</i>	<u>165,004</u>	<u>(5,480)</u>	<u>159,524</u>
<i>Fund Cash Balances, January 1</i>	<u>\$380,012</u>	<u>\$5,130</u>	<u>\$385,142</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$545,016</u></u>	<u><u>(\$350)</u></u>	<u><u>\$544,666</u></u>

See Accompanying Notes to the Financials



## Village of Aberdeen, Ohio

*Brown County*

### *Notes to the Financial Statements For the Year Ended December 31, 2016*

#### **Note 1 - Reporting Entity**

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

The Village participates in Public Entities Pool of Ohio (PEP), a public entity risk-sharing pool. Note 6 to the financial statements provides additional information for this entity.

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

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

##### ***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***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.

***Mayor's Court*** - This fund receives fines and forfeitures collected by Mayor's Court which are distributed to various agencies as prescribed by the Ohio Revised Code.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

***Capital Assets***

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

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

***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.

***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:

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

***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.

***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.

***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.

***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.

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$427,000	\$407,170	(\$19,830)
Special Revenue	79,500	83,786	4,286
Enterprise	568,000	687,840	119,840
Total	\$1,074,500	\$1,178,796	\$104,296

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$480,838	(\$480,838)
Special Revenue	97,841	89,077	8,764
Enterprise	544,431	522,836	21,595
Total	\$642,272	\$1,092,751	(\$450,479)

**Note 4 – 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:

Demand deposits	<u>\$806,423</u>
Total deposits	<u>\$806,423</u>

***Deposits***

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

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 5 – Taxes**

***Property Taxes***

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.

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

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

***Income Taxes***

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.

**Note 6 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$18,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2016 Contributions to PEP</u></b> <b><u>\$33,383</u></b>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, 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, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>
<i>OPERS – Law Enforcement Part-time</i>	<i>2014-2016</i>	<i>13%</i>	<i>18.10%</i>

**Ohio Police and Fire Retirement System**

Some of Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages, respectively. The Village has paid all contributions required through December 31, 2016

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2013- June 30, 2014</i>	<i>10.75%</i>	<i>19.5%</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2014- June 30, 2015</i>	<i>11.5%</i>	<i>19.5%</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2015- December 31, 2016</i>	<i>12.25%</i>	<i>19.5%</i>

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3306	\$314,659	2.20%
Ohio Public Works Commission Loan	68,948	0.00%
Ohio Water Development Authority Loan 2007 #4804	567,259	2.86%
Mower Loan	16,273	3.60%
Total	\$967,139	

**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

During 2000, the Village obtained an Ohio Water Development Authority (OWDA) loan for a sewer plant expansion project. This loan will be repaid in semi-annual installments of \$36,913, including interest. The loan is collateralized by sewer receipts.

During 2001, the Village obtained an Ohio Public Works Commission (OPWC) loan for a sewer plant expansion project. This loan will be repaid in semi-annual installments of \$6,895. The loan is collateralized by sewer receipts.

During 2007, the Village obtained an Ohio Water Development Authority (OWDA) loan for \$863,740 for installing water meters. As of December 31, 2016, \$851,179 of the loan had been disbursed on behalf of the Village by OWDA. Until the project is finalized, the loan requires semiannual installments of \$28,505, including interest, over 20 years.

***Leases***

The Village leases mowers under noncancelable leases. The Village disbursed \$4,900 plus interest to pay lease costs for the year ended December 31, 2016.

***Amortization***

Year Ending December 31:	Ohio Water Development Authority loans	Ohio Public Work Commission Loan	Leases	Total
2017	130,006	13,790	5,241	149,037
2018	130,006	13,790	5,241	149,037
2019	130,006	13,790	5,241	149,037
2020	130,006	13,790	1,096	144,892
2021	130,006	13,788		143,794
2022-2026	280,900			280,900
2027-2028	112,360			112,360
Total	1,043,290	68,948	16,819	1,129,057

**Note 10 – Contingent Liabilities**

During 2010, the Village issued \$2,700,000 of Water System Revenue Improvement Bonds, Series 2010, for improvements to its water system, including the acquisition, construction, and installation of a new water treatment plant. Village Council suspended all work related to the project in 2012. As of December 31, 2013, the Village was a defendant in several lawsuits related to the water system and the bonds.

1. An Agreed Settlement Order dated for a December 3, 2013 judgment required the Village to pay a water plant construction contractor a minimum of \$700,000 for breach of contract, subject to certain additional charges based on the Village's timing of scheduled payments. During 2014, the Village complied with the order and made required payments totaling \$740,000, of which \$100,000 was paid from trust funds securing the \$2,700,000 of Water System Revenue Improvement Bonds, Series 2010.



**Village of Aberdeen, Ohio**  
*Brown County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

2. A breach of contract complaint was filed against the Village in 2013 by a groundwater supply system contractor. During 2014, a settlement was reached with the Village making a payment of \$64,000 to the contractor from trust funds securing the \$2,700,000 of Water System Revenue Improvement Bonds, Series 2010.
3. An Amended Mediation Agreement dated January 17, 2014, between the Village and the bondholder for the \$2,700,000 of Water System Revenue Improvement Bonds, Series 2010 approved the optional early redemption of the Bonds. The Agreement required the Village to pay to the bondholder 1) amounts remaining in the bond trust account is held by the trustee, and 2) an amount equal to 62.5 percent of any estate taxes received by the Village from the estate of an individual related to the bondholder. As of March 27, 2014, all trustee funds had been dispersed to pay fees and redeem the balance on the bonds. In addition, during September, 2014, the Village made a payment of \$387,127 to the bondholder for the estate tax portion of the agreement.

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# OHIO AUDITOR OF STATE KEITH FABER



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

Village of Aberdeen  
Brown County  
P.O. Box 509  
Aberdeen Ohio, 45101

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Aberdeen, Brown County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 5, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001, 2017-002 and 2017-004 to be material weaknesses.

***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 2017-002.

***Purpose of this Report***

This report only describes the scope of our internal control 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 5, 2019

**VILLAGE OF ABERDEEN  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

**FINDING NUMBER 2017-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Term of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; the 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following conditions related to the above criteria for which the Village has posted adjustments to the accompanying financial statements:

- Ending Unassigned Fund Balance in the General Fund was overstated by \$57,434 in 2017
- Ending Assigned Fund Balance in the General Fund was understated by \$57,434 in 2017
- Other non-operating disbursements in the Agency Fund were understated by \$92,236 in 2016
- Other non-operating receipts in the Agency Fund were understated by \$86,756 in 2016
- Other non-operating disbursements in the Agency Fund were understated by \$65,980 in 2017
- Other non-operating receipts in the Agency Fund were understated by \$66,189 in 2017
- Beginning Fund Balance in the Agency Fund was understated by \$5,130 in 2016
- Beginning Fund Balance in the Agency Fund was understated by \$350 in 2017

We identified the following conditions related to the above criteria for which the Village did not post adjustments to the accompanying financial statements based primarily on materiality considerations:

- Ending Unassigned Fund Balance in the General Fund was overstated by \$10,215 in 2016
- Ending Assigned Fund Balance in General Fund was understated by \$10,215 in 2016
- Property taxes receipts totaling \$16,078 in the General Fund were incorrectly posted to Intergovernmental Receipts rather than to Property and Other Local Taxes Receipts in 2017
- Property taxes receipts totaling \$15,902 in the General Fund were incorrectly posted to Intergovernmental Receipts rather than to Property and Other Local Taxes Receipts in 2016
- Property taxes receipts totaling \$1,406 in the General Fund were incorrectly posted to Other Miscellaneous Receipts rather than to Intergovernmental Receipts in 2016
- Municipal Income Tax receipts totaling \$1,320 were incorrectly posted to Consumer Rent receipts in the Water Operating fund for 2016
- Municipal Income Tax receipts totaling \$1,409 were incorrectly posted to Consumer Rent receipts in the Sewer Operating fund for 2016
- Municipal Income Tax receipts totaling \$1,198 were incorrectly posted to Consumer Rent receipts in the Sewer Operating fund for 2017

**FINDING NUMBER 2017-001**  
**(Continued)**

- Fines Permits and Fees (Mayor's Court) receipts totaling \$4,506 were incorrectly posted to Other Miscellaneous receipts in the General fund for 2017
- Utility receipts in the General fund were posted at net rather than gross less fees. The difference was \$1,416 in 2017
- Utility receipts in the Enterprise fund were posted at net rather than gross less fees. The difference was \$2,951 in 2017

When fund balances are not accurately classified, Village officials and management do not have accurate information as to the amount of fund balances that are restricted or committed for specific purposes. We recommend that the Village develop and implement procedures to ensure accurate accounting for yearend fund balances. We also recommend that the Village review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement Number 54.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

**FINDING NUMBER 2017-002**

**Noncompliance**

**Ohio Rev. Code § 149.351** provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code § 149.38 to 149.42. The Village failed to locate the following records:

- Supporting documentation for two of two (100%) cable franchise fee receipts tested in 2016
- Supporting documentation for one of two (50%) cable franchise fee receipts tested in 2017
- Supporting documentation of approved July Fourth Celebration booth rental billings rates for one receipt tested in 2017
- Supporting documentation for check #49735 dated 3/30/2016 to the Public Entities Pool of Ohio in the amount of \$34,108.00, check #50084 dated 6/7/2016 to American Electric Power in the amount of \$5,625.35, check #49862 dated 4/25/2016 to Clay's Auto Body in the amount of \$1,114.00. Check #51644 dated 10/24/2017 to the Village of Mount Orab for the purchase of a new police vehicle in the amount of \$15,000.00, check #51033 dated 2/3/2017 to Palmer Funeral Home & Crematory in the amount of \$458.75. By performing alternative procedures we determined that these expenditures were for a proper public purpose.
- Supporting documentation for salary and pay rates for six employees tested in 2016 and one employee tested in 2017
- 941 filing documentation for quarter three and quarter four in 2017
- Three of the three expenditures tested during 2016 did not have proper supporting documentation attached totaling \$172.52 for mileage reimbursements and conference reimbursements.

**FINDING NUMBER 2017-002**  
**(Continued)**

We performed alternative procedures to obtain assurance that the receipts were posted to the proper fund and account.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Without proper documentation on file to support expenditures, the Village cannot show that the cost was for a proper public purpose. Expenditures deemed to not be proper public purpose could result in findings for recovery being issued. Furthermore, a lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. We recommend the Fiscal Officer keep supporting documentation for all transactions.

**FINDING NUMBER 2017-003**

**Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of the Mayor's Court cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the Mayor's Court book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Mayor's Court monthly bank to book reconciliations were not prepared or reviewed each month of 2017 and 2016. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all Mayor's Court system balances. Variances should be investigated, documented, and corrected. In addition, the Council should review the Mayor's Court monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**FINDING NUMBER 2017-004**

**Material Weakness**

**Ohio Revised Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village failed to approve appropriations in 2016 for all funds, therefore resulting in the following expenditures being in excess of appropriations:

Fund	Annual Appropriations	Annual Disbursements	Variance
1000 General	\$0	\$480,838	(\$480,838)
2081 Drug Law Enforcement	\$0	\$1,200	(\$1,200)
2091 Law Enforcement Trust	\$0	\$4,600	(\$4,600)
2271 Enforcement & Education	\$0	\$2,700	(\$2,700)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The Village should approve and file all appropriation measures with the County Auditor. The Village should routinely compare actual expenditures to current appropriations and amend appropriations when needed.

**Officials' Response to Findings :**

The management of the Village of Aberdeen is working to correct the Findings. Management will be taking steps to correct the findings as well as working to improve processes in the future.



Village of Aberdeen  
Brown County  
PO Box 509  
Aberdeen Ohio, 45101

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Financial Reporting including improper posting of receipts and expenditures	Not corrected	Re-issued as finding number 2017-001
2015-002	Timely Depositing	Partially Corrected	Re-issued as a management letter comment
2015-003	Finding for Recovery / Noncompliance for public monies converted or misappropriated totaling \$24,875 against Nathan Pfeffer and his bonding company, The Ohio Casualty Insurance Company.	Not Resolved	In 2019, The Village has been in contact with the Attorney General's office regarding verification that the FFR has been repaid.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
APRIL 23, 2019**