



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**VILLAGE OF ABERDEEN  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

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, 1999 and 1998. 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 generally accepted auditing standards 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 1999 and 1998, and its combined cash receipts and unclassified disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2000, 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 grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

October 20, 2000

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**VILLAGE OF ABERDEEN  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$49,721		\$49,721
Intergovernmental Receipts	89,444	\$145,837	235,281
Charges for Services	96,899		96,899
Fines, Licenses, and Permits	89,156	835	89,991
Earnings on Investments	8,180	1,291	9,471
Unclassified	<u>39,670</u>	<u>298</u>	<u>39,968</u>
Total Cash Receipts	<u>373,070</u>	<u>148,261</u>	<u>521,331</u>
<b>Cash Disbursements:</b>			
Unclassified	<u>416,650</u>	<u>114,669</u>	<u>531,319</u>
Total Disbursements	<u>416,650</u>	<u>114,669</u>	<u>531,319</u>
Total Receipts Over/(Under) Disbursements	(43,580)	33,592	(9,988)
Fund Cash Balances, January 1, 1999	<u>101,211</u>	<u>56,781</u>	<u>157,992</u>
<b>Fund Cash Balances, December 31, 1999</b>	<b><u>\$57,631</u></b>	<b><u>\$90,373</u></b>	<b><u>\$148,004</u></b>
Reserve for Encumbrances, December 31, 1999	<u>\$468</u>	<u>\$971</u>	<u>\$1,439</u>

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

**VILLAGE OF ABERDEEN  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND AGENCY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$318,489		\$318,489
Miscellaneous	27,699		27,699
Total Operating Cash Receipts	<u>346,188</u>	<u>\$0</u>	<u>346,188</u>
<b>Operating Cash Disbursements:</b>			
Unclassified	390,348		390,348
Total Operating Cash Disbursements	<u>390,348</u>	<u>0</u>	<u>390,348</u>
Operating Income/(Loss)	<u>(44,160)</u>	<u>0</u>	<u>(44,160)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	4,650		4,650
Proceeds from Notes	200,000		200,000
Other Non-Operating Receipts	0	130,358	130,358
Total Non-Operating Cash Receipts	<u>204,650</u>	<u>130,358</u>	<u>335,008</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	777,600		777,600
Other Non-Operating Cash Disbursements		131,520	131,520
Total Non-Operating Cash Disbursements	<u>777,600</u>	<u>131,520</u>	<u>909,120</u>
Excess of Receipts Over/(Under) Disbursements before Interfund Transfers and Advances	(617,110)	(1,162)	(618,272)
Transfers-In	39,021		39,021
Transfers-Out	(39,021)		(39,021)
Net Receipts Over/(Under) Disbursements	(617,110)	(1,162)	(618,272)
Fund Cash Balances, January 1, 1999	<u>714,534</u>	<u>10,477</u>	<u>725,011</u>
<b>Fund Cash Balances, December 31, 1999</b>	<b><u>\$97,424</u></b>	<b><u>\$9,315</u></b>	<b><u>\$106,739</u></b>
Reserve for Encumbrances, December 31, 1999	<u>\$1,098</u>	<u>\$0</u>	<u>\$1,098</u>

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



**VILLAGE OF ABERDEEN  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax and other Local Taxes	\$71,341		\$71,341
Intergovernmental Receipts	42,999	\$76,177	119,176
Charges for services	95,139		95,139
Fines, Licenses, and Permits	102,910	668	103,578
Earnings on Investments	6,288	939	7,227
Unclassified	31,003	32,581	63,584
<b>Total Cash Receipts</b>	<u>349,680</u>	<u>110,365</u>	<u>460,045</u>
<b>Cash Disbursements:</b>			
Unclassified	<u>368,950</u>	<u>113,244</u>	<u>482,194</u>
<b>Total Disbursements</b>	<u>368,950</u>	<u>113,244</u>	<u>482,194</u>
<b>Total Receipts Over/(Under) disbursements</b>	<u>(19,270)</u>	<u>(2,879)</u>	<u>(22,149)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Sources		85,676	85,676
Other Uses	<u>(85,676)</u>		<u>(85,676)</u>
<b>Total other Financing Receipts/(Disbursements)</b>	<u>(85,676)</u>	<u>85,676</u>	<u>0</u>
<b>Excess of Cash Receipts and other Financing Receipts Over/(Under) Cash Disbursements and other Financing Disbursements</b>	<u>(104,946)</u>	<u>82,797</u>	<u>(22,149)</u>
<b>Fund Cash Balances, January 1, 1998, Restated (Note 8)</b>	<u>206,157</u>	<u>(26,016)</u>	<u>180,141</u>
<b>Fund Cash Balances, December 31, 1998</b>	<u><u>\$101,211</u></u>	<u><u>\$56,781</u></u>	<u><u>\$157,992</u></u>
<b>Reserve for Encumbrances, December 31, 1998</b>	<u><u>\$1,570</u></u>	<u><u>\$3,025</u></u>	<u><u>\$4,595</u></u>

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

**VILLAGE OF ABERDEEN  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND AGENCY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Total (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$372,432		\$372,432
Miscellaneous	2,162		2,162
Total Operating Cash Receipts	374,594	\$0	374,594
<b>Operating Cash Disbursements:</b>			
Unclassified	298,686		298,686
Total Operating Cash Disbursements	298,686	0	298,686
Operating Income/(Loss)	75,908	0	75,908
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Notes	750,012		750,012
Other non-operating receipts	0	134,624	134,624
Total Non-Operating Cash Receipts	750,012	134,624	884,636
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	247,482		247,482
Other Non-Operating Cash Disbursements		133,389	133,389
Total Non-Operating Cash Disbursements	247,482	133,389	380,871
Excess of Receipts Over/(Under) Disbursements before Interfund Transfers and Advances	578,438	1,235	579,673
Transfers-In	241,457		241,457
Transfers-Out	(241,457)		(241,457)
Net receipts Over/(Under) Disbursements	578,438	1,235	579,673
Fund Cash Balances, January 1, 1998	136,096	9,242	145,338
<b>Fund Cash Balances, December 31, 1998</b>	<b>\$714,534</b>	<b>\$10,477</b>	<b>\$725,011</b>
Reserve for Encumbrances, December 31, 1998	\$4,341	\$0	\$4,341

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

**VILLAGE OF ABERDEEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Aberdeen, Brown County, Ohio (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 general governmental services, including water and sewer utilities, and police services.

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

**B. Basis of Accounting**

These financial statements follow the 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. However, as noted in Note 9, the Village did not use the prescribed accounts to classify certain receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

**D. Fund Accounting**

The Village uses fund accounting to segregate cash deposits 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.

**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.

**VILLAGE OF ABERDEEN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

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

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

*Sewer Construction* - This fund received proceeds from the issuance of bond anticipation notes used for construction of the Village sewer system.

**4. Fiduciary Funds (Trust and Agency Funds)**

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

*Mayor's Court Fund* - This fund receives fines collected by Mayor's Court which are distributed to the Village and State.

**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.

**3. Encumbrances**

The Ohio Revised Code requires the village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting. However, a review was performed to determine the amount of additional encumbrances outstanding at year end which were not recorded. These additional encumbrances were added to the financial statements.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**VILLAGE OF ABERDEEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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

The Village maintains a cash pool used by all funds except Mayor's Court. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand Deposits	\$ 159,116	\$ 197,439
Certificates of Deposit		<u>184,600</u>
Total Deposits	<u>159,116</u>	<u>382,039</u>
STAROhio	<u>95,627</u>	<u>500,964</u>
Total Investments	<u>95,627</u>	<u>500,964</u>
Total Deposits and Investments	<u>\$ 254,743</u>	<u>\$ 883,003</u>

**A. Deposits**

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

**B. Investments**

Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF ABERDEEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 339,627	\$ 373,070	\$ 33,443
Special Revenue	79,897	148,261	68,364
Enterprise	<u>354,338</u>	<u>589,859</u>	<u>235,521</u>
Total	<u>\$ 773,862</u>	<u>\$ 1,111,190</u>	<u>\$ 337,328</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 442,407	\$ 417,118	\$ 25,289
Special Revenue	148,403	115,640	32,763
Enterprise	<u>1,073,213</u>	<u>1,208,067</u>	<u>(134,854)</u>
Total	<u>\$ 1,664,023</u>	<u>\$ 1,740,825</u>	<u>\$ (76,802)</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 288,516	\$ 349,680	\$ 61,164
Special Revenue	87,610	196,041	108,431
Enterprise	<u>567,366</u>	<u>1,366,063</u>	<u>798,697</u>
Total	<u>\$ 943,492</u>	<u>\$ 1,911,784</u>	<u>\$ 968,292</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 408,996	\$ 456,196	\$ (47,200)
Special Revenue	114,844	116,269	(1,425)
Enterprise	<u>481,863</u>	<u>791,966</u>	<u>(310,103)</u>
Total	<u>\$ 1,005,703</u>	<u>\$ 1,364,431</u>	<u>\$ (358,728)</u>

In 1999 and 1998 expenditures exceeded appropriations in numerous funds.

**VILLAGE OF ABERDEEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1999  
(Continued)**

**4. 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 payment, 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.

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Sewer Improvement Bond Anticipation Notes	\$200,000	4.75%

The Sewer Improvement Bond Anticipation Notes were issued in anticipation of issuing bonds for the construction of a sewer system for the Village.

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

<u>Year ending December 31</u>	<u>Sewer Improvement Bond Anticipation Note</u>
2000	\$209,500

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**VILLAGE OF ABERDEEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1999  
(Continued)**

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

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

**8. PRIOR PERIOD ADJUSTMENT**

The Federal Law Enforcement Trust Fund and the State Law Enforcement Fund were not included in the Village's financial records and were not included in the prior year audit. These funds were included in the Special Revenue Fund Type in the current audit.

	Balance December 31, 1997	Adjustment	Balance January 1, 1998
Special Revenue Fund Type	\$ (29,228)	\$ 3,212	\$ (26,016)

**9. MATERIAL NONCOMPLIANCE**

The Village did not classify receipts by source and disbursements for program, comply with various sections of budgetary laws, maintain accurate records of all moneys received and expended, formally establish separate funds to account for Emergency Management Mitigation funds, Federal Law enforcement forfeitures, State Law enforcement forfeitures, and file or prepare an annual report for 1999 and 1998.





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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

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, 1999 and 1998, and have issued our report thereon dated October 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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 and grants, 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 1999-30408-001 through 1999-30408-005. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 20, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 1999-30408-001 through 1999-30408-003 and 1999-30408-006 through 1999-30408-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We consider all the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 20, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

October 20, 2000

**VILLAGE OF ABERDEEN  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-30408-001**

**Material Noncompliance and Material Internal Control Weakness - Budgetary**

Ohio Rev. Code, Section 5705, prescribes budgetary laws for the Village. The Village did not comply with the following Sections of the Code:

- A. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The COPS Fund had negative fund balances of \$3,918 at December 31, 1999 and 1998. The deficit balances indicate that cash from other funds have been used to pay the obligations of this fund.
- B. Ohio Rev. Code, Section 5705.30, requires a village to hold at least one tax budget hearing. The Village did not hold any tax budget hearings during 1999 and 1998. We recommend the Village hold a tax budget hearing before the adoption of a tax budget as required.
- C. Ohio Rev. Code, Section 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and certify the levies to the county auditor before October 1 each year. The Village did not authorize the necessary rates and certify them to the County Auditor until March 15, 1999, for 1999, and March 15, 1998, for 1998.

Failure to authorize the necessary rates and certify them to the County Auditor before the required date could result in a delay in receiving funding from the county. The Village's management should take steps to ensure the necessary rates are authorized and certified to the County Auditor by the required date.

- D. Ohio Rev. Code, Section 5705.36, requires the village to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year on or about the first day of each fiscal year. The Village did not file a Certificate of the Total Amount From All Sources Available for Expenditures and Balances for 1999 until January 29, 1999, and for 1998 until January 29 for 1998.

Failure to certify the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year could result in a delay of funding from the County.

We recommend the Village complete and submit to the County Auditor on or about the first day of the fiscal year a Certificate of the Total Amount From All Sources Available for Expenditures and Balances.

**VILLAGE OF ABERDEEN  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-30408-001 (Continued)**

- E. Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds:

Funds	1999 Appropriations Exceeded By	1998 Appropriations Exceeded By
General Fund		\$47,200
State Law Enforcement Fund	\$ 300	108
Federal Law Enforcement Fund	223	637
Sewer Construction Fund	224,081	215,057
Street Fund		4,261
Law Education Fund		387
COPS Fund		15,175
Overtime Grant Fund		467
Water Reserve Fund		1,620
First Mortgage Fund		211,439

Expending money when it has not been appropriated could cause the Village to make illegal expenditures. The Village should adopt procedures to ensure that no expenditures are made unless they have been properly appropriated.

- F. Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This Section also provides for two exceptions to the above requirement:
1. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
  2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not maintain appropriation ledgers, therefore it was impossible for the Clerk/Treasurer to accurately certify expenditures. Failure to encumber allowed the Village to over spend fund balances as noted in finding number 1999-30408-001 section (A).

**VILLAGE OF ABERDEEN  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-30408-002**

**Material Noncompliance and Material Internal Control Weakness - Receipts and Expenditures**

Ohio Rev. Code, Section 733.28, requires the village clerk to keep the books of the village, exhibit accurate statements of all moneys received and expended and maintain records of all the property owned by the village and the income derived.

Accurate records were not maintained for all monies received and expended. A receipt ledger, appropriation ledger and cash journal were not maintained for 1999 and 1998.

This condition exhibits a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records.

We recommend:

- A. The Village utilize pay-ins or receipt numbers to properly track all monies received;
- B. All entries should be posted in the cash journal in chronological order, reflecting month to date and year to dated totals;
- C. The receipt ledger should be reconciled to bank deposits on a monthly basis;
- D. The Village should utilize an appropriation ledger to properly track expenditures by account and also as a tool to monitor adherence to the adopted budget; and
- E. The cash journal should be reconciled to the bank on a monthly basis and also reconciled to the appropriation ledger;

Implementation of these procedures will add a substantial measure of control to the receipting process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports.

**FINDING NUMBER 1999-30408-003**

**Material Noncompliance and Material Internal Control Weakness - Uniform System of Accounting**

Ohio Rev. Code, Section 117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for villages which is set forth in the Ohio Administrative Code Chapter 117-5. The Village did not comply in the following instances:

- A. Ohio Administrative Code, Rule 117-5-07, establishes guidelines for the proper coding and classification of village receipts. The Village of Aberdeen did not maintain a receipt ledger.
- B. Ohio Administrative Code, Rule 117-5-09, provides guidelines for the proper and complete maintenance of a village cash journal. The Village did not maintain a cash journal.
- C. Ohio Administrative Code, Rule 117-5-10, requires that a village post to each receipts account the estimated amount of money to be received into the account as specified by the County Budget Commission. It also provides that receipts shall be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village did not maintain an accurate receipt ledger in accordance with these guidelines.

**VILLAGE OF ABERDEEN  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-30408-003 (Continued)**

- D. Ohio Administrative Code, Rule 117-5-11, requires the village to maintain an appropriation ledger in a complete and accurate form as prescribed. The Village did not maintain an appropriation ledger.
- E. Ohio Administrative Code, Rule 117-5-13, provides that each village must use purchase orders, as prescribed, for all expenditures. The Village did not use purchase orders.

To provide accurate and complete financial information for management to use in the decision making process, and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report, we recommend the Village maintain receipt and appropriation ledgers as prescribed by the Ohio Administrative Code. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

**FINDING NUMBER 1999-30408-004**

**Material Noncompliance - Federal Law Enforcement Fund, State Law Enforcement Fund, and FEMA Mitigation Fund**

Ohio Rev. Code, Section 5705.09, requires the village to establish a special fund for each class of revenues derived from a source other than the general property tax, which law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village appropriations.

In 1999 and 1998, the Federal Law Enforcement Fund, the State Law Enforcement Fund and in 1999 the Federal Emergency Management Agency (FEMA) Mitigation Fund were not recorded on the on the Village's accounting records. These funds were held in separate bank accounts and were not budgeted as required. The financial statements were adjusted to include these funds.

**FINDING NUMBER 1999-30408-005**

**Material Noncompliance - Filing Annual Reports**

Ohio Rev. Code, Section 117.38, requires that the village prepare an annual report in accordance with forms prescribed by the Auditor of State. The report is to be certified by the proper officer of board and filed with the Auditor of State within ninety days after the close of the fiscal year. The Village did not file an annual report for the years ending December 31, 1999 and 1998.

**FINDING NUMBER 1999-30408-006**

**Material Internal Control Weakness - Reconciliations**

The Village did not prepare accurate or complete monthly cash reconciliations for 1999 and 1998. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited in the financial institution.

We recommend the Village properly reconcile the accounts on a monthly basis. Any variances should be immediately investigated and corrected. We also recommend a Council member review and sign off on the reconciliation thereby indicating approval and ensuring timeliness of reconciliations.

**VILLAGE OF ABERDEEN  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-30408-007**

**Material Internal Control Weakness - Segregation of Duties - Government Oversight**

The small size of the Village's staff does not allow for an adequate segregation of duties. The Clerk handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

The following conditions indicate a need for increased oversight of management by Council.

- A. Village accounts have not been reconciled during 1999 and 1998.
- B. Receipts ledger, appropriations ledger and cashbook were not maintained.
- C. Budgetary meetings were not held and budgetary documents were not filed.

To provide accountability and to strengthen internal accounting controls, officials should periodically review the records (i.e., reconciliations, etc), to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.







**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

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**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 14, 2000**