



**Auditor of State
Betty Montgomery**

VILLAGE OF ABERDEEN
BROWN COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Aberdeen
Brown County
99 Main Cross Street
Aberdeen, Ohio 45121

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, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present certain receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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, except for the omission of certain receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2005, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

This report is intended solely for the information and use of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 24, 2005

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$81,237	\$9,387	\$90,624
Intergovernmental Receipts	50,412	67,715	118,127
Charges for Services	0	0	0
Fines, Licenses, and Permits	41,896	2,420	44,316
Miscellaneous	5,775		5,775
Unclassified	<u>25,485</u>	<u>19,072</u>	<u>44,557</u>
Total Cash Receipts	<u>204,805</u>	<u>98,594</u>	<u>303,399</u>
Cash Disbursements:			
Current:			
General Government	2,876		2,876
Debt Service:			
Principal Payments			0
Interest Payments			0
Financing and Other Debt-Service Related			0
Unclassified	<u>216,524</u>	<u>107,873</u>	<u>324,397</u>
Total Cash Disbursements	<u>219,400</u>	<u>107,873</u>	<u>327,273</u>
Total Receipts Under Disbursements	<u>(14,595)</u>	<u>(9,279)</u>	<u>(23,874)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In	29,287		29,287
Transfers-Out	<u>0</u>	<u>(7,122)</u>	<u>(7,122)</u>
Total Other Financing Receipts/(Disbursements)	<u>29,287</u>	<u>(7,122)</u>	<u>22,165</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,692	(16,401)	(1,709)
Fund Cash Balances, January 1	<u>24,337</u>	<u>62,014</u>	<u>86,351</u>
Fund Cash Balances, December 31	<u><u>\$39,029</u></u>	<u><u>\$45,613</u></u>	<u><u>\$84,642</u></u>

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

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY
FUND TYPE FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$587,659	\$0	\$587,659
Unclassified Receipts	13,141		13,141
Total Operating Cash Receipts	<u>600,800</u>	<u>0</u>	<u>600,800</u>
Operating Cash Disbursements:			
Unclassified Disbursements	406,361		406,361
Total Operating Cash Disbursements	<u>406,361</u>	<u>0</u>	<u>406,361</u>
Operating Income	<u>194,439</u>	<u>0</u>	<u>194,439</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	17,500		17,500
Other Non-Operating Receipts		43,804	43,804
Total Non-Operating Cash Receipts	<u>17,500</u>	<u>43,804</u>	<u>61,304</u>
Non-Operating Cash Disbursements:			
Debt Service	95,501		95,501
Other Non-Operating Cash Disbursements		41,645	41,645
Total Non-Operating Cash Disbursements	<u>95,501</u>	<u>41,645</u>	<u>137,146</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	116,438	2,159	118,597
Transfers-Out	<u>(22,164)</u>		<u>(22,164)</u>
Net Receipts Over Disbursements	94,274	2,159	96,433
Fund Cash Balances, January 1	<u>397,783</u>	<u>404</u>	<u>398,187</u>
Fund Cash Balances, December 31	<u><u>\$492,057</u></u>	<u><u>\$2,563</u></u>	<u><u>\$494,620</u></u>

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

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$70,067	\$8,280	\$78,347
Intergovernmental Receipts	40,921	88,300	129,221
Charges for Services	44,025	0	44,025
Fines, Licenses, and Permits	60,372	3,920	64,292
Unclassified	44,338	10,648	54,986
 Total Cash Receipts	 259,723	 111,148	 370,871
Cash Disbursements:			
Current:			
General Government	5,735		5,735
Debt Service:			
Principal Payments	8,328		8,328
Interest Payments	587		587
Financing and Other Debt-Service Related			0
Unclassified	281,127	129,430	410,557
 Total Cash Disbursements	 295,777	 129,430	 425,207
 Total Receipts (Under) Disbursements	 (36,054)	 (18,282)	 (54,336)
Other Financing Receipts and (Disbursements):			
Transfers-In	35,831		35,831
Transfers-Out		(3,195)	(3,195)
 Total Other Financing Receipts/(Disbursements)	 35,831	 (3,195)	 32,636
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (223)	 (21,477)	 (21,700)
 Fund Cash Balances, January 1	 24,560	 83,491	 108,051
 Fund Cash Balances, December 31	 \$24,337	 \$62,014	 \$86,351

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

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY
FUND TYPE FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$538,585	\$0	\$538,585
Unclassified Receipts	16,190		16,190
Total Operating Cash Receipts	<u>554,775</u>	<u>0</u>	<u>554,775</u>
Operating Cash Disbursements:			
Unclassified Disbursements	554,233		554,233
Total Operating Cash Disbursements	<u>554,233</u>	<u>0</u>	<u>554,233</u>
Operating Income	<u>542</u>	<u>0</u>	<u>542</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	160,000		160,000
Proceeds from Notes	140,000		140,000
Other Non-Operating Receipts		61,672	61,672
Total Non-Operating Cash Receipts	<u>300,000</u>	<u>61,672</u>	<u>361,672</u>
Non-Operating Cash Disbursements:			
Debt Service	268,410		268,410
Other Non-Operating Cash Disbursements		70,821	70,821
Total Non-Operating Cash Disbursements	<u>268,410</u>	<u>70,821</u>	<u>339,231</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	32,132	(9,149)	22,983
Transfers-In	45,802		45,802
Transfers-Out	(78,439)		(78,439)
Net Receipts Over/(Under) Disbursements	(505)	(9,149)	(9,654)
Fund Cash Balances, January 1	<u>398,288</u>	<u>9,553</u>	<u>407,841</u>
Fund Cash Balances, December 31	<u>\$397,783</u>	<u>\$404</u>	<u>\$398,187</u>

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

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

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 water and sewer utilities and police protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify certain receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

C. Cash and Investments

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

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

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 Funds:

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
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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:

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

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

West End Sewer Fund – This fund received grants to finance a sewer line extension project.

4. Fiduciary Fund (Agency Fund)

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law; however there were no material outstanding encumbrances at December 31, 2003 and 2002.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$366,958	\$274,569
Investments in STAR Ohio	212,304	209,969
Total deposits and investments	\$ 579,262	\$ 484,538

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$286,925	\$234,092	(\$52,833)
Special Revenue	80,760	98,594	17,834
Enterprise	624,400	618,300	(6,100)
Total	\$992,085	\$950,986	(\$41,099)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,420	\$216,524	\$75,896
Special Revenue	143,188	114,995	28,193
Enterprise	1,038,697	524,027	514,670
Total	\$1,474,305	\$855,546	\$618,759

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$229,300	\$295,554	\$66,254
Special Revenue	235,255	111,148	(124,107)
Enterprise	783,304	900,577	117,273
Total	\$1,247,859	\$1,307,279	\$59,420

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$300,918	\$295,777	\$5,141
Special Revenue	188,286	132,625	55,661
Enterprise	1,345,568	901,082	444,486
Total	\$1,834,772	\$1,329,484	\$505,288

Contrary to Ohio law, budgetary expenditures exceeded appropriations as follows: In 2002 in the Sewer Construction fund by \$1,412, FEMA Mitigation Fund by \$34,864 and the State Drug Fund by \$420. In 2003 expenditures exceeded appropriations by \$12,850 in the Riverfest Fund, \$1,241 in the FEMA Mitigation fund, and \$5,260 in the Garbage Fund. Appropriations exceeded estimated resources in 2002 by \$36,632 in the General Fund and \$177,500 in the West End Sewer Fund. In 2003, appropriations exceeded estimated resources by \$115 in the State Drug Fund and \$230 in the Federal Drug Fund.

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,054,509	2.20%
Ohio Public Works Commission Loan	\$248,211	0.00%
General Obligation Notes	140,000	3.75%
Total	\$1,442,720	

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The OWDA has approved the loan for this project up to \$1,316,354. As of December 31, 2003, \$1,178,682 has been borrowed by the Village and \$124,173 has been repaid. The loan will be repaid in semiannual installments of \$40,856, including interest, over 20 years. The scheduled payment amount below assumes that \$1,316,354 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The General Obligation Notes also relate to the sewer plant expansion project. The Notes issued in 2002 represent Sewer Improvement Bond Anticipation Notes issued for the fourth renewal of Notes originally issued in 1998. General Obligation Notes are collateralized by the Village's taxing authority.

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

Year ending December 31:	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>General Obligation Notes</u>
2004	\$40,856	\$6,895	145,250
2005	81,712	13,790	
2006	81,712	13,790	
2007	81,712	13,790	
2008	81,712	13,790	
2009-2013	408,560	68,948	
2014-2018	408,560	68,948	
2019-2021	245,135	41,369	
2022	<u>0</u>	<u>6,891</u>	
Total	<u>\$1,429,959</u>	<u>\$248,211</u>	<u>\$145,250</u>

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 through December 31, 2003. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

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

8. TRUSTEED FUNDS

At December 31, 2003 Provident Bank, a custodian, held \$44,415 in Village assets as excess funds from a paid off 1963 sewer bond issue. These funds were refunded to the Village in 2004 and receipted into the sewer fund. The 2003 and 2002 financial statements do not include this asset.

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

9. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of the suit is not presently determinable, management believes that the resolution of the matter will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. COMPLIANCE

Contrary to Ohio Law, the Village did not:

- establish and budget all funds required;
- maintain receipt and appropriation ledgers as required by the Ohio Administrative Code;
- certify all funds prior to disbursement;
- establish funds or make transfers as outlined in the Ohio Revised Code;
- bid contracts or pay prevailing wage as required by law.

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**Auditor of State
Betty Montgomery**

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

Village of Aberdeen
Brown County
99 Main Cross Street
Aberdeen, Ohio 45101

To the Village Council:

We have audited the financial statements of the Village of Aberdeen, Brown County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 24, 2005, which was qualified since the Village did not classify certain receipts and disbursements in its financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving 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. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected when performing their assigned functions. We consider item 2003-002 to be a material weakness. In a separate letter to the Village's management dated February 24, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-008. In a separate letter to the Village's management dated February 24, 2005, we reported a matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

February 24, 2005

**VILLAGE OF ABERDEEN
BROWN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or 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:

- A. 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 Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.

- B. If the amount involved is less than one thousand dollars (\$1,000)(\$3,000 after April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for 73% Village disbursements. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-002

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain a receipt ledger or appropriation ledger. The Village was therefore unable to monitor compliance with its appropriation resolution, and was unable to classify certain transactions for its financial statements.

**FINDING NUMBER 2003-002
 (Continued)**

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assembler, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, vendor name, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt for each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

FINDING NUMBER 2003-003

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. Expenditures exceeded appropriations for the year ended December 31, 2003 and 2002, in the following funds:

Year	Fund	Appropriations	Disbursement	Variance
2002	Sewer Construction	\$19,390	\$20,802	(\$1,412)
2002	FEMA Mitigation	0	34,864	(34,864)
2002	State Drug	0	420	(420)
2003	Riverfest	0	12,850	(12,850)
2003	FEMA Mitigation	0	1,241	(1,241)
2003	Garbage	102,320	107,580	(5,260)

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-004

Material Noncompliance

Ohio Rev. Code, Section 5705.39, prohibits appropriations in excess of estimated resources. This section further provides that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village did not obtain this certificate from the county auditor and appropriated in excess of estimated resources in the following funds:

Year	Fund	Estimated Resources	Appropriations	Variance
2002	General	\$264,286	\$300,918	(\$36,632)
2002	West End Sewer	177,500	355,000	(177,500)
2003	State Drug	750	865	(115)
2003	Federal Drug	1,050	1,280	(230)

FINDING NUMBER 2003-005

Material Noncompliance

Ohio Rev. Code, Section 5705.09F, 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.

During 2003 and 2002:

- The Federal Drug Enforcement Fund, the State Law Enforcement Fund and the FEMA Mitigation Fund were not recorded on the Village's accounting records. These funds were held in separate bank accounts.
- Separate funds were not established for COPS grants or permissive motor vehicle license tax received.
- The West End Sewer fund was not established by resolution or ordinance, however it was approved in the minutes.

The financial statements were adjusted to include these funds.

FINDING NUMBER 2003-006

Material Noncompliance

Ohio Rev. Code, Section 731.14, requires that all contracts made by the legislative authority of a municipal government for material and labor which exceed \$15,000 (\$25,000 effective September 26, 2003) are subject to competitive bidding procedures. During 2002 the Village paid H & S Excavating and Sherman and Dixie over \$15,000 related to the West End Sewer Project without the competitive bidding process being completed, contrary to this code section. We recommend the Village review these requirements and ensure that projects exceeding \$25,000 are bid in compliance with this section.

FINDING NUMBER 2003-007

Material Noncompliance

Ohio Rev. Code, Sections 4115.04 and 4115.05, requires the director of commerce to determine the prevailing rates of wages for each class of public improvement work prior to contract or construction by force account. Such schedule of wages shall be attached to and made part of the specifications for work, and shall be printed on the bidding blanks where the work is done by contract. A copy of the bidding blank shall be filed with the director before such contract is awarded. Every contract for public work shall contain a provision that each laborer, worker, or mechanic shall be paid the prevailing rate of wages.

The Village did not obtain prevailing wage information for the West End Sewer project and did not abide by prevailing wage requirements and was liable for back wages associated with the violation of this code section. The Village paid \$18,595 of required back wages in 2003 and 2004 as required by Ohio Department of Commerce, Division of Labor and Worker Safety.

The Village should follow these requirements prior to the bidding of any contract and advertisement should state these requirements. The contractors should also provide the required information in their contract and be able to provide proof of prevailing wage rates paid to employees for such public work.

FINDING NUMBER 2003-008

Finding Repaid Under Audit – Payroll

Pay period February 14 to February 20, 2003 for Jack N. Simons was for 44.11 regular hours and 4.5 overtime hours, however the time card indicated payment should have been on 40 hours regular and 4.5 overtime hours resulting in an overpayment of \$117. Mr. Simons repaid \$117 on February 16, 2005 to the credit of the Street/Water/Sewer funds of the Village of Aberdeen.

**VILLAGE OF ABERDEEN
BROWN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30408-001	Ohio Rev. Code, Section 5705.41D requires the use of purchase orders	No	Repeat as finding 2003-001
2001-30408-002	Ohio Rev Code, Section 733.28 & Ohio Admin Code, Section 117-2-02A & Ohio Admin Code Section 117-9-01 requires maintaining accurate books and using an accounting system and using account classifications	No	Repeat as finding 2003-002
2001-30408-003	Ohio Rev Code, Section 5705.41B prohibits expenditures in excess of appropriations	No	Repeat as finding 2003-003
2001-30408-004	Reportable Condition – Village did not have formal procedures to ensure expenditures properly approved.	Yes	
2001-30408-005	Ohio Rev Code, Section 5705.09 requires Village to establish special funds as required.	No	Repeat as finding 2003-005
2001-30408-006	Ohio Rev. Code, Section 117.38 requires an annual report be filed within 60 days of fiscal year end.	No	Partially corrected; reports filed, however one year was late, repeat in management letter
2001-30408-007	OMB Circular A-133 requires entity to identify federal awards received and expended and ensure that required audits are performed.	Yes	



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Betty Montgomery**

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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
MARCH 29, 2005**