

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Aberdeen, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Aberdeen is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 19, 2010

This Page is Intentionally Left Blank.

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2009.....	3
Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2009.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2008.....	5
Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	20

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Village Council
Village of Aberdeen, Brown County, Ohio

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, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or their changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Cincinnati, Ohio
June 18, 2010

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 71,597	\$ 25,654	\$ 97,251
Intergovernmental	23,455	86,134	109,589
Charges for Services	134,510	-	134,510
Licenses, Permits, and Fees	62,383	-	62,383
Municipal Income Tax	117,664	29,281	146,945
Earnings on Investments	346	985	1,331
	<u>409,955</u>	<u>142,054</u>	<u>552,009</u>
<i>Cash Disbursements:</i>			
Current:			
General Government	114,639	-	114,639
Security of Persons and Property	284,391	2,006	286,397
Basic Utility Service	118,267	-	118,267
Transportation	-	71,961	71,961
Capital Outlay	10,960	19,143	30,103
Debt Service:			
Redemption of Principal	342	160	502
Interest and Fiscal Charges	140	65	205
	<u>528,739</u>	<u>93,335</u>	<u>622,074</u>
Receipts Over (Under) Disbursements	(118,784)	48,719	(70,065)
Fund Cash Balances, January 1	<u>184,033</u>	<u>92,179</u>	<u>276,212</u>
Fund Cash Balances, December 31	<u>\$ 65,249</u>	<u>\$ 140,898</u>	<u>\$ 206,147</u>
Reserve for Encumbrances, December 31	<u>\$ 10,798</u>	<u>\$ 1,897</u>	<u>\$ 12,695</u>

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

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 565,434	\$ -	\$ 565,434
Total Operating Cash Receipts	565,434	-	565,434
<i>Operating Cash Disbursements:</i>			
Personal Services	141,982	-	141,982
Fringe Benefits	71,406	-	71,406
Contractual Services	143,190	-	143,190
Supplies and Materials	96,183	-	96,183
Other	9,794	-	9,794
Total Operating Cash Disbursements	462,555	-	462,555
Operating Income	102,879	-	102,879
<i>Non-Operating Cash Receipts:</i>			
Other Non-Operating Receipts	-	36,600	36,600
Total Non-Operating Cash Receipts	-	36,600	36,600
<i>Non-Operating Cash Disbursements:</i>			
Redemption of Principal	76,211	-	76,211
Interest and Other Fiscal Charges	50,647	-	50,647
Capital Outlay	32,271	-	32,271
Other Non-Operating Disbursements	-	35,801	35,801
Total Non-Operating Cash Disbursements	159,129	35,801	194,930
Net Receipts Over (Under) Disbursements	(56,250)	799	(55,451)
Fund Cash Balances, January 1	592,120	3,352	595,472
Fund Cash Balances, December 31	\$ 535,870	\$ 4,151	\$ 540,021
Reserve for Encumbrances, December 31	\$ 8,203	\$ -	\$ 8,203

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

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 101,165	\$ 25,247	\$ 126,412
Intergovernmental	27,075	67,408	94,483
Charges for Services	139,025	-	139,025
Licenses, Permits, and Fees	77,270	-	77,270
Municipal Income Tax	186,659	5,720	192,379
Earnings on Investments	2,869	8,167	11,036
Total Cash Receipts	534,063	106,542	640,605
<i>Cash Disbursements:</i>			
Current:			
General Government	95,000	-	95,000
Security of Persons and Property	260,264	597	260,861
Basic Utility Service	109,478	-	109,478
Transportation	-	71,687	71,687
Capital Outlay	7,608	976	8,584
Debt Service:			
Redemption of Principal	294	147	441
Interest and Fiscal Charges	156	78	234
Total Cash Disbursements	472,800	73,485	546,285
Receipts Over (Under) Disbursements	61,263	33,057	94,320
<i>Other Financing Receipts (Disbursements):</i>			
Proceeds from Capital Lease	1,952	976	2,928
Total Other Financing Receipts (Disbursements)	1,952	976	2,928
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	63,215	34,033	97,248
Fund Cash Balances, January 1	120,818	58,146	178,964
Fund Cash Balances, December 31	<u>\$ 184,033</u>	<u>\$ 92,179</u>	<u>\$ 276,212</u>
Reserve for Encumbrances, December 31	<u>\$ 16,416</u>	<u>\$ 3,434</u>	<u>\$ 19,850</u>

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

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 567,713	\$ -	\$ 567,713
Total Operating Cash Receipts	<u>567,713</u>	<u>-</u>	<u>567,713</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	140,556	-	140,556
Fringe Benefits	64,640	-	64,640
Contractual Services	123,623	-	123,623
Supplies and Materials	65,706	-	65,706
Other	10,978	-	10,978
Total Operating Cash Disbursements	<u>405,503</u>	<u>-</u>	<u>405,503</u>
Operating Income	<u>162,210</u>	<u>-</u>	<u>162,210</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Capital Lease	1,952		1,952
Proceeds from OWDA Loan	840,537	-	840,537
Other Non-Operating Receipts	-	58,262	58,262
Total Non-Operating Cash Receipts	<u>842,489</u>	<u>58,262</u>	<u>900,751</u>
<i>Non-Operating Cash Disbursements:</i>			
Redemption of Principal	160,543	-	160,543
Interest and Other Fiscal Charges	25,721	-	25,721
Capital Outlay	838,361	-	838,361
Other Non-Operating Disbursements	-	56,608	56,608
Total Non-Operating Cash Disbursements	<u>1,024,625</u>	<u>56,608</u>	<u>1,081,233</u>
Net Receipts Over (Under) Disbursements	(19,926)	1,654	(18,272)
Fund Cash Balances, January 1	<u>612,046</u>	<u>1,698</u>	<u>613,744</u>
Fund Cash Balances, December 31	<u>\$ 592,120</u>	<u>\$ 3,352</u>	<u>\$ 595,472</u>
Reserve for Encumbrances, December 31	<u>\$ 16,212</u>	<u>\$ -</u>	<u>\$ 16,212</u>

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

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

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
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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.

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. Unencumbered 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.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

G. Total Columns on Financial Statements

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash deposit pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2009 and 2008 was as follows:

Deposits:	<u>2009</u>	<u>2008</u>
Demand deposits	\$523,166	\$620,617
Investments in STAR Ohio	<u>223,002</u>	<u>251,067</u>
Total deposits and investments	<u>\$746,168</u>	<u>\$871,684</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 and 2008 follows:

<u>2009 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$ 440,848	\$ 409,955	\$ (30,893)
Special Revenue	96,000	142,054	46,054
Enterprise	630,200	565,434	(64,766)
Total	<u>\$ 1,167,048</u>	<u>\$ 1,117,443</u>	<u>\$ (49,605)</u>

<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 549,116	\$ 539,537	\$ 9,579
Special Revenue	151,463	95,232	56,231
Enterprise	654,351	629,887	24,464
Total	<u>\$ 1,354,930</u>	<u>\$ 1,264,656</u>	<u>\$ 90,274</u>

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 462,700	\$ 536,015	\$ 73,315
Special Revenue	100,250	107,518	7,268
Enterprise	1,435,000	1,410,202	(24,798)
Total	\$ 1,997,950	\$ 2,053,735	\$ 55,785

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 527,916	\$ 489,216	\$ 38,700
Special Revenue	114,654	76,919	37,735
Enterprise	1,653,375	1,446,340	207,035
Total	\$ 2,295,945	\$ 2,012,475	\$283,470

4. COMPLIANCE

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

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Law & Education	2008	\$2,300	\$2,140	\$160
State Drug	2008	1,286	934	352
Federal Drug	2008	1,127	851	276
Water Deposits	2008	11,000	-	11,000
Sewer Capital Projects	2008	139	95	44
Law & Education	2009	2,300	2,140	160
State Drug	2009	1,286	934	352
Federal Drug	2009	1,127	351	776
Water Deposits	2009	12,000	-	12,000
Sewer Capital Projects	2009	139	95	44

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

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Operating	2008	\$1,102,296	\$1,115,770	\$13,474
Other Special Revenue	2009	-	15,167	15,167
Water Operating	2009	255,454	262,869	7,415

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

5. PROPERTY TAX

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

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

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

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

6. LOCAL INCOME TAX

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.

7. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 746,514	2.20%
Ohio Public Works Commission Loan	172,365	0.00%
Ohio Water Development Authority Loan 2007	<u>802,023</u>	2.86%
Total	<u><u>\$ 1,720,902</u></u>	

During 2000, the Village obtained an Ohio Water Development Authority (OWDA) loan for a sewer plant expansion project with an approved amount up to \$1,316,354. Until the project was finalized, the loan required semiannual installments of \$40,856, including interest, over 20 years. The loan was finalized in 2009 with a total value of \$1,189,323. The remaining balance is scheduled to be repaid in semiannual installments of \$36,913 including interest, over the next 12 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

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, over 20 years. The loan is collateralized by sewer receipts.

During 2007, the Village obtained an Ohio Water Development Authority (OWDA) for \$785,192 for installing water meters. During 2008 the authorized amount was increased to \$863,740. As of December 31, 2009, \$851,179 of the loan had been disbursed on behalf of the Village by OWDA. A total of \$840,538 was disbursed during 2008. Until the project is finalized, the loan requires semiannual installments of \$28,505, including interest, over 20 years.

During 2007, the Village obtained a loan for \$83,000 from Integra Bank for funding the cost of installation of water meters within a section of the Villages' water and sewer service area. The Village repaid the loan including accrued interest in February 2008.

Amortization of the above debt, including interest, is scheduled below.

Year ending December 31:	OWDA Sewer Plant Loan	OPWC Loan	OWDA Water Meters Loan
2010	\$ 73,826	\$ 13,790	\$ 57,009
2011	73,826	13,790	57,009
2012	73,826	13,790	57,009
2013	73,826	13,790	57,009
2014	73,826	13,790	57,009
2015-2019	369,131	68,948	285,047
2020-2024	110,740	34,467	285,047
2025-2029	-	-	199,535
Total	<u>\$ 849,001</u>	<u>\$ 172,365</u>	<u>\$ 1,054,674</u>

8. CAPITAL LEASE

During 2008 the Village entered into a capital lease for a phone system in the amount of \$4,879. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2010	\$1,225
2011	1,225
2012	1,225
2013	<u>102</u>
Total minimum lease payments	3,777
Less: amount representing interest	<u>(506)</u>
Present value of future minimum lease payments	<u>\$3,271</u>

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

9. RETIREMENT MANAGEMENT

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent of their gross salaries. The Village contributed an amount equal to 19.5 percent of participants' gross salaries.

For 2009 and 2008, OPER's members contributed 10 percent, respectively, of their gross salaries. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

10. RISK POOL MANAGEMENT

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

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	2009	2008
Assets	\$ 36,374,898	\$ 35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	\$ 21,118,036	\$ 20,459,329

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$24,000.

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.

<u>Contributions to PEP</u>	
2008	\$22,949
2009	24,746

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of 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.

11. CONTINGENT LIABILITIES

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

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of Village Council
Village of Aberdeen, Brown County, Ohio

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, 2009 and 2008, and have issued our report thereon dated June 18, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 and 2009-02 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 2009-03 and 2009-04.

The Village of Aberdeen's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village of Aberdeen's responses and, accordingly, we express no opinion on them.

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

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

Cincinnati, Ohio
June 18, 2010

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-01

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. The audit adjustments were necessary to correct errors in the Village's financial statements and notes. A summary of the material adjustments made, by year, is as follows:

Year ended December 31, 2008

Adjustments totaling \$27,013 to beginning fund balances were necessary to correct fund cash balances and the related receipt and expenditure accounts for transactions posted to fund balances instead of properly recording them as receipts or disbursements.

Adjustments totaling \$8,271 were necessary to record on-behalf payments made for the Village by OWDA in 2008 as loan proceeds and capital outlay expense in the Sewer Fund.

Adjustments totaling \$4,879 were necessary to record the proceeds and the related capital outlay expense for a capital lease.

Reclassifications of \$856,013 were necessary to correct for OWDA loan proceeds and charges for services that had been recorded as special assessment receipts in the Water Fund.

Reclassifications of \$972,616 were necessary to correct for capital outlay expense and loan principal payments that were recorded as interest expense in the Water Fund.

Reclassifications of \$16,889 were necessary to correct for loan principal payments that were recorded as capital outlay expense in the Water Fund.

Year ended December 31, 2008

Reclassifications of \$16,384 and \$49,454 were necessary to correct for loan principal payments that were recorded as interest expense in the Water and Sewer Funds, respectively.

Reclassifications of \$23,048 were necessary to correct charges for services that had been recorded as special assessment receipts in the Water Fund.

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

Village's Response

The Village will attempt to more closely monitor the recording of transactions in the future.

FINDING NUMBER 2009-02

The Village needs to strengthen controls over its utility billing system to ensure appropriate amounts are billed in accordance with Village passed ordinances and ensure that any adjustments to amounts billed are properly approved and supported.

During 2008, the Village installed water meters throughout the Village with the intention to convert from a flat rate billing system to a usage based system for water and sewer charges.

Ordinance 2007-05, effective June 4, 2007 established water billing using flat rates to be billed until June 30, 2008. Ordinance 2008-13, effective July 1, 2008 established water billing rates to be calculated based on usage determined by meter readings until December 31, 2008. Ordinance 2008-16 effective January 1, 2009 established water billing rates to be calculated based on usage determined by meter readings until December 31, 2009.

Testing of amounts billed during 2008 and 2009 disclosed instances where billed charges were not in accordance with the above ordinances. We noted instances of flat rate billings after July 1, 2008 that were not in accordance with Ordinance 2008-13 and Ordinance 2008-16. In addition, senior and disabled discounts were being applied during 2008 and 2009 toward both flat rate billings and usage based billings. No support for authorizing such discounts could be provided.

Village personnel explained that problems were encountered with many of the meters installed during 2008 and that when meter readings had potential reading errors or meters were not working or not read or when a prior billing cycle had not established a reliable meter ready to establish a start reading, the Village applied a flat rate amount in most of these instances. Village personnel also explained that senior and disabled discounts have always been granted but could not provide Council approval for the discounts which may have take place many years in the past.

The billing system provides for the posting of adjustments to customer accounts. Billings based on recorded usage establish an initial amount to be billed to water and sewer customers. Adjustments resulting from reverting from a usage based billed amount to a flat rate billed amount, as well as all other adjustments that may have been applied, are posted as adjustments to customer accounts to reflect adjusted amounts billed. During 2008 and 2009 a total of \$155,223 of credit adjustments were posted to customer accounts reducing amounts billable to customers for various reasons.

Procedures of the Village require the completion of an adjustment form to be approved by appropriate management of the Village. We did note instances of adjustments that contained approvals by the Village Administrator or the Village's Mayor. However, 80 percent of adjustments that were tested contained no documented justification or approval. In addition, there is no evidence to support that there is an independent review or approval of discounts given, monthly utility billings, or monthly customer receipts posted to the utilities billing system. It should be noted that testing disclosed that adjusted amounts billed to customers were found to be properly paid, deposited and recorded by the Village.

The operation of the Village's utility billing system has been primarily conducted by a single utility billing clerk without sufficient oversight to ensure amounts are appropriately billed and adjustments are proper, supported and independently approved. Management of the Village should develop appropriate policies and procedures to ensure that 1) billings are correct and properly approved, and 2) all adjustments and discounts applied to a customers' account are properly supported and approved by authorized individuals.

Management should also follow-up on the status of any meter that is determined to be out of service or misread in order to ensure all customers are billed on a usage basis in accordance with Village ordinances. Village Council should also formally address the status of discounts offered to senior and disabled customers.

Village's Response

Management agrees that controls over documenting and approving adjustments have been inadequate since the installation of the new meters that took place during 2008. Operational issues contributed to the large amount of credit adjustments required to correct billings. Going forward, the Village will institute procedures to ensure that all meter issues are addressed and adjustments are properly documented and approved.

FINDING NUMBER 2009-03

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

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Law & Education	2008	\$2,300	\$2,140	\$160
State Drug	2008	1,286	934	352
Federal Drug	2008	1,127	851	276
Water Deposits	2008	11,000	-	11,000
Sewer Capital Projects	2008	139	95	44
Law & Education	2009	2,300	2,140	160
State Drug	2009	1,286	934	352
Federal Drug	2009	1,127	351	776
Water Deposits	2009	12,000	-	12,000
Sewer Capital Projects	2009	139	95	44

Village's Response

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

FINDING NUMBER 2009-04

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

<u>Fund</u>	<u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Operating	2008	\$1,102,296	\$1,115,770	\$13,474
Other Special Revenue	2009	-	15,167	15,167
Water Operating	2009	255,454	262,869	7,415

Village's Response

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

**VILLAGE OF ABERDEEN
BROWN COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2007-01	Internal Controls over Financial Reporting-audit adjustments.	No	Not Corrected. Restated as finding 2009-01.
2007-02	Expenditures exceeded appropriations noncompliance citation ORC Section 5705.41B	No	Not Corrected. Restated as finding 2009-04.
2007-03	Appropriations in excess of estimated resources noncompliance citation ORC Section 5705.39	No	Not Corrected. Restated as finding 2009-03.

This Page is Intentionally Left Blank.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ABERDEEN

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**