



Dave Yost • Auditor of State

VILLAGE OF ABERDEEN
BROWN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Aberdeen, Brown County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Aberdeen, Brown County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 13, 2017

Village of Aberdeen, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$16,272	\$8,691	\$24,963
Municipal Income Tax	140,318		140,318
Intergovernmental	45,399	67,580	112,979
Charges for Services	138,469		138,469
Fines, Licenses and Permits	104,280	5,315	109,595
Earnings on Investments	820	79	899
Miscellaneous	5,241	105	5,346
<i>Total Cash Receipts</i>	<u>450,799</u>	<u>81,770</u>	<u>532,569</u>
Cash Disbursements			
Current:			
Security of Persons and Property	229,355		229,355
Leisure Time Activities	5,242		5,242
Basic Utility Services	122,400		122,400
Transportation		48,234	48,234
General Government	83,828	8,180	92,008
Debt Service:			
Principal Retirement		4,560	4,560
Interest and Fiscal Charges		681	681
<i>Total Cash Disbursements</i>	<u>440,825</u>	<u>61,655</u>	<u>502,480</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,974</u>	<u>20,115</u>	<u>30,089</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(10,620)		(10,620)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,620)</u>	<u>0</u>	<u>(10,620)</u>
Extraordinary Item	3,556	0	3,556
<i>Net Change in Fund Cash Balances</i>	2,910	20,115	23,025
<i>Fund Cash Balances, January 1</i>	<u>261,731</u>	<u>55,960</u>	<u>317,691</u>
Fund Cash Balances, December 31			
Restricted	0	76,075	76,075
Assigned	3,424	0	3,424
Unassigned (Deficit)	261,217	0	261,217
<i>Fund Cash Balances, December 31</i>	<u>\$264,641</u>	<u>\$76,075</u>	<u>\$340,716</u>

See accompanying notes to the basic financial statements

Village of Aberdeen, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2015*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$782,741		\$782,741
<i>Total Operating Cash Receipts</i>	<u>782,741</u>	<u>0</u>	<u>782,741</u>
Operating Cash Disbursements			
Personal Services	159,353		159,353
Employee Fringe Benefits	45,303		45,303
Contractual Services	190,590		190,590
Supplies and Materials	55,401		55,401
Other	11,655		11,655
<i>Total Operating Cash Disbursements</i>	<u>462,302</u>	<u>0</u>	<u>462,302</u>
<i>Operating Income (Loss)</i>	<u>320,439</u>	<u>0</u>	<u>320,439</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	18,266		18,266
Miscellaneous Receipts	1,056		1,056
Principal Retirement	(116,745)		(116,745)
Interest and Other Fiscal Charges	(27,051)		(27,051)
Other Financing Sources		99,204	99,204
Other Financing Uses	0	(101,163)	(101,163)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(124,474)</u>	<u>(1,959)</u>	<u>(126,433)</u>
<i>Net Change in Fund Cash Balances</i>	195,965	(1,959)	194,006
<i>Fund Cash Balances, January 1</i>	<u>184,045</u>	<u>7,089</u>	<u>191,134</u>
<i>Fund Cash Balances, December 31</i>	<u>\$380,010</u>	<u>\$5,130</u>	<u>\$385,140</u>

See accompanying notes to the basic financial statements

Village of Aberdeen, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2014*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,948	\$8,371	\$23,319
Municipal Income Tax	120,101		120,101
Intergovernmental	648,129	68,915	717,044
Charges for Services	123,086		123,086
Fines, Licenses and Permits	74,262	1,253	75,515
Earnings on Investments	220	107	327
Miscellaneous	5,867		5,867
<i>Total Cash Receipts</i>	<u>986,613</u>	<u>78,646</u>	<u>1,065,259</u>
Cash Disbursements			
Current:			
Security of Persons and Property	219,728	2,943	222,671
Leisure Time Activities	7,329		7,329
Basic Utility Services	119,995		119,995
Transportation		61,448	61,448
General Government	69,758	17,278	87,036
Capital Outlay		23,950	23,950
<i>Total Cash Disbursements</i>	<u>416,810</u>	<u>105,619</u>	<u>522,429</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>569,803</u>	<u>(26,973)</u>	<u>542,830</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds		23,950	23,950
Advances In	255,000		255,000
Advances Out	(255,000)		(255,000)
Other Financing Uses	(412,128)		(412,128)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(412,128)</u>	<u>23,950</u>	<u>(388,178)</u>
Extraordinary Item	5,865	3,751	9,616
<i>Net Change in Fund Cash Balances</i>	<u>163,540</u>	<u>728</u>	<u>164,268</u>
<i>Fund Cash Balances, January 1</i>	<u>98,191</u>	<u>55,232</u>	<u>153,423</u>
Fund Cash Balances, December 31			
Restricted	1,750	55,960	57,710
Assigned	615	0	615
Unassigned (Deficit)	259,366	0	259,366
<i>Fund Cash Balances, December 31</i>	<u>\$261,731</u>	<u>\$55,960</u>	<u>\$317,691</u>

See accompanying notes to the basic financial statements

Village of Aberdeen, Ohio

Brown County

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

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2014

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$735,576		\$735,576
<i>Total Operating Cash Receipts</i>	<u>735,576</u>	<u>0</u>	<u>735,576</u>
Operating Cash Disbursements			
Personal Services	163,157		163,157
Employee Fringe Benefits	49,728		49,728
Contractual Services	254,952		254,952
Supplies and Materials	68,012		68,012
Other	15,927		15,927
<i>Total Operating Cash Disbursements</i>	<u>551,776</u>	<u>0</u>	<u>551,776</u>
<i>Operating Income (Loss)</i>	<u>183,800</u>	<u>0</u>	<u>183,800</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	17,291		17,291
Sale of Capital Assets	700,001		700,001
Miscellaneous Receipts	68		68
Principal Retirement	(111,495)		(111,495)
Interest and Other Fiscal Charges	(27,740)		(27,740)
Other Financing Sources		77,100	77,100
Other Financing Uses	(3,450,383)	(77,094)	(3,527,477)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(2,872,258)</u>	<u>6</u>	<u>(2,872,252)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(2,688,458)</u>	<u>6</u>	<u>(2,688,452)</u>
Extraordinary Item	7,872		7,872
Advances In	455,000		455,000
Advances Out	(455,000)		(455,000)
<i>Net Change in Fund Cash Balances</i>	<u>(2,680,586)</u>	<u>6</u>	<u>(2,680,580)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,864,633</u>	<u>7,083</u>	<u>2,871,716</u>
<i>Fund Cash Balances, December 31</i>	<u>\$184,047</u>	<u>\$7,089</u>	<u>\$191,136</u>

See accompanying notes to the basic financial statements

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 - Reporting Entity

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

State Highway Fund: This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing State highways located in the Village.

Drug Law Enforcement: This fund receives funds from drug fines for drug education and enforcement.

Law Enforcement Trust: This fund receives funds from forfeitures of money and property and may be used for any law enforcement purposes except salaries and benefits.

Enforcement and Education: This fund receives funds from under the influence fines for enforcement of ORC 4511.19 and to educate the public about driving under the influence.

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

Water Fund This fund receives charges for services from residents to cover water service costs.

Sewer Fund This fund receives charges for services from residents to cover sewer costs.

Enterprise Deposit Fund This fund receives utility deposits from utility customers in order to insure payment.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court activity.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Restricted Fund balance is ***restricted*** when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$397,000	\$454,355	\$57,355
Special Revenue	74,500	81,770	7,270
Enterprise	732,000	802,063	70,063
Total	\$1,203,500	\$1,338,188	\$134,688

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$463,958	\$454,869	\$9,089
Special Revenue	75,071	66,184	8,887
Enterprise	680,079	623,140	56,939
Total	\$1,219,108	\$1,144,193	\$74,915

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 3 - Budgetary Activity (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$990,400	\$992,478	\$2,078
Special Revenue	76,900	106,347	29,447
Enterprise	1,440,220	1,460,808	20,588
Total	\$2,507,520	\$2,559,633	\$52,113

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$839,645	\$829,553	\$10,092
Special Revenue	92,202	109,069	(16,867)
Enterprise	4,183,737	4,142,335	41,402
Total	\$5,115,584	\$5,080,957	\$34,627

Note 4 – Deposits and Investments

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

	2015	2014
Demand deposits	\$75,773	\$8,764
Money Market Deposit Accounts	650,083	500,063
Total deposits	725,856	508,827

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

Note 5 – Taxes

Property Taxes

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

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

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 5 – Taxes (Continued)

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 6 - Risk Management (Continued)

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$5,040.

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>	
<u>2014</u>	<u>2015</u>
\$7,108	\$8,000

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2015 OP&F participants contributed 12.25% of their wages. For 2014 OP&F participants contributed 10.75 and 11.50% of their wages for 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of fulltime police members' wages for 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 8 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$82,737	0%
Ohio Water Development Authority Loan	586,956	3%
Ohio Water Development Authority Loan	380,475	2%
Total	<u>\$1,050,168</u>	

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

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

During 2007, the Village obtained an Ohio Water Development Authority (OWDA) loan for \$863,740 for installing water meters. The total disbursed on the loan as of December 31, 2015 was \$851,179 and will be repaid in semi-annual installments of \$28,090 including interest. It should be noted that the Village sold its water operating system to Brown County Rural Water Association in 2014 and BCRW will assume the loan when it takes over the system. This is scheduled to take place in August, 2016.

On December 30, 2010 the Village issued \$2,700,000 of Water System Revenue Improvement Bonds, Series 2010, for the purpose of constructing improvements to its water system, including acquisition, construction and installation of a new water treatment plant. The bonds were issued as \$2,500,000 Water System Revenue Improvement Bonds, Series 2010A, and \$200,000 of Water System Revenue Improvement Bonds, Series 2010B.

The Series 2010A Bonds will mature on December 1 in various amounts ranging from \$25,000 in 2013 to \$195,000 in 2040. The Series 2010A Bonds carry interest at rates varying from 6.00 percent to 8.00 percent per annum, payable semi-annually on June 1 and December 1. The Series 2010A Bonds are Recovery Zone Economic Development Bonds subject to a Federal subsidy that reimburses the Village 45 percent of interest payable on the Bonds.

The Series 2010B Bonds will mature on December 1 in various amounts ranging from \$5,000 in 2013 to \$15,000 in 2040. The Series 2010B Bonds carry interest at rates varying from 2.40 percent to 5.25 percent per annum, payable semi-annually on June 1 and December 1. In December 2013, the Village was found to be in breach of contract over the Series 2010A and 2010B bonds. As a result of mediation and litigation proceedings the Village paid \$3,862,510; \$45,000 of which were late fees on the settlement payments. These settlement payments fulfilled all bond obligations held by the Village. The Village had no bond obligations outstanding at December 31, 2015.

Leases

The Village leases mowers under noncancelable leases. The Village disbursed \$4,560 to pay lease costs for the year ended December 31, 2015.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2015 and 2014
(Continued)

Note 8 – Debt (Continued)

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

Year ending December 31:	OWDA Loan #3306	OWDA Loan 2007 #4804	OPW Commission Loan	Leases	Total
2016	\$73,826	\$57,010	\$13,790	\$5,241	\$149,867
2017	73,826	57,010	13,790	5,241	\$149,867
2018	73,826	57,010	13,790	5,241	\$149,867
2019	73,826	57,010	13,790	1,947	\$146,573
2020	73,826	57,010	13,790	0	\$144,626
2021-2025	36,914	427,565	13,785	0	\$478,264
Total	<u>\$406,044</u>	<u>\$712,615</u>	<u>\$82,735</u>	<u>\$17,670</u>	<u>\$1,219,064</u>

Note 9 – Contingent Liabilities

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

A breach of contract suit was filed against the Village by a utilities customer who claimed that the Village agreed to provide three of his properties with free water, sewer and garbage pickup for life if he agreed to annexation and the placement of sewer and water lines on his property. The Village has no knowledge of this agreement and began charging him for utility service in 2015. He is suing for compensation for the use of his lines and other matters.

A utility customer is filing suit against the Village because he now being charged a monthly utility bill even though the property is vacant and the water is turned off. The Village began charging minimum bill in October 2014.

The above matters have been settled.

Note 10 – Prior Period Adjustment

January 1, 2014 fund balances required restatement for prior period adjustments that were not carried forward to subsequent year. Adjustments were for enterprise type funds that were classified as governmental fund type.

Fund Type	January 1, 2014 Balance	Adjustment	Restated January 1, 2014 Balance
Special Revenue	\$ 105,232	(\$ 50,000)	\$ 55,232
Debt Service	303,126	(303,126)	0
Capital Project	2,357,258	(2,357,258)	0
Enterprise	154,249	2,710,384	2,864,633



Dave Yost • Auditor of State

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

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

To the Village of Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Aberdeen, Brown County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 13, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 13, 2017

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the Village's accounting system and records:

- Local government distributions were posted as Taxes receipts instead of Intergovernmental receipts in the Street Construction Maintenance and Repair fund in the amount of \$13,631 and in the State Highway fund in the amount of \$1,105 in 2014.
- Local government distribution were posted as Taxes receipts instead of Intergovernmental receipts in the Street Construction Maintenance and Repair fund in the amount of \$13,326 and in the State Highway fund in the amount of \$1,080 in 2015.
- Property taxes were posted as Intergovernmental receipts instead of Taxes receipts in the General fund in 2014 for \$12,764.
- Property Tax receipts were posted net of fees, which resulted in the Village understating both Property Tax receipts and General Government disbursements by as net instead of gross in 2014 in the amount of \$2,612 in the General fund.
- Property taxes were posted as Intergovernmental receipts instead of Taxes receipts in the General fund in 2015 for \$15,975.
- Principal and Interest disbursements in the amount of \$2,950 and \$544 respectively, were posted as Other disbursements in the Permissive Motor Vehicle License Tax Fund in 2014.
- Principal disbursements were posted as Interest disbursements in the Sewer Operating fund in the amount of \$76,787 in 2014.
- Principal disbursements were posted as Interest disbursements in the Water Operating fund in the amount of \$34,708 in 2014.
- Proceeds of Loans receipts and Capital Outlay disbursements of \$23,950 were not posted in the Permissive Motor License Gas Tax fund in 2014.
- Mayor's court activity for 2014 was not posted in the Mayor's Court fund in the amounts of \$77,100 of non-operating receipts and \$77,094 of non-operating disbursements.
- Mayor's court activity for 2015 was not posted in the Mayor's Court fund in the amounts of \$99,204 of non-operating receipts and \$101,163 of non-operating disbursements.
- General fund Assigned Fund Balance was understated in the amount of \$41,909 at December 31, 2014.
- General fund Assigned Fund Balance was understated in the amount of \$5,767 at December 31, 2015.

**FINDING NUMBER 2015-001
(Continued)**

- The following funds were classified as governmental funds instead of enterprise funds:
 - Rate Stabilization
 - Water Bond Retirement Series A
 - Water Bond Retirement Series B
 - Debt Service Reserve, Repair and Replacement
 - 2010 Revenue Bond Series A funds

The Village corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions, and failure to accurately classify funds, could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

We recommend that the Village accurately record financial transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code, § 9.38, provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three (3) business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the public moneys until they are deposited.

During 2014, 5 out of 6, or 83% of receipts tested, with amounts ranging from \$22 to \$755, were not deposited timely. During 2015, 13 out of 16, or 81% of receipts tested, with amounts ranging from \$18 to \$1,377, were not deposited timely. The Village did not have a formal written policy regarding depositing of funds.

Not depositing timely increases the risk that theft or loss will occur and not be detected in a timely manner.

We recommend the Village implement steps sufficient to ensure that deposits are made in a timely manner in accordance with Ohio Rev. Code §9.38. We also recommend the Village maintain a record of the dates that receipts are received. Further, we recommend the Village establish a written, formal policy regarding the depositing of funds.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-003

Finding for Recovery / Noncompliance

As Village Fiscal Officer, Nathan Pfeffer was responsible for various accounting functions of the Village. These functions included entering information into the Village accounting system, depositing funds and reconciling the Village bank account.

During interviews with Mr. Pfeffer, we confirmed he was responsible for safekeeping and depositing all Village funds.

The Village provided water and sewer utilities to residents. The utility clerk accepted and processed payments in the utility system. Mr. Pfeffer was responsible for receiving the bank deposit bag from the utility clerk, recording the receipts in the accounting system and depositing funds into the Village bank account. During the years 2014 and 2015, 16 utility deposits totaling \$21,580 were received by the Village but were not deposited into the Village bank account. Of this amount, 14 payments totaling \$21,227 were recorded in the accounting system and marked as deposits in transit.

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. Mr. Pfeffer was in charge of collecting, processing and depositing these collections. During the year 2016, nine income tax payments totaling \$3,295 were received by the Village but were not deposited into the Village bank account. Each of these payments were recorded in the accounting system and marked as deposits in transit.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies converted or misappropriated totaling \$24,875 is hereby issued against Nathan Pfeffer, and his bonding company, The Ohio Casualty Insurance Company, in favor of the Village of Aberdeen general fund in the amount of \$3,295 and the water and sewer funds in the amount of \$21,580.

Officials' Response:

We did not receive a response from Officials to this finding.

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VILLAGE OF ABERDEEN
BROWN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Status	Additional Information
2013-01	Financial Reporting including improper posting of receipts and expenditures	Not corrected	Re-issued as finding number 2015-001
2013-02	Police Department Expenditures	Corrective Action Taken and Finding is Fully Corrected	
2013-03	Certification of Expenditures	Corrective Action Taken and Finding is Fully Corrected	
2013-04	Bond Covenants	Corrective Action Taken and Finding is Fully Corrected	

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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
JULY 27, 2017