



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF ABERDEEN
BROWN COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Aberdeen, Brown County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Aberdeen, Brown County as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 1, 2021

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,627	\$7,742	\$0	\$30,369
Municipal Income Tax	135,582	0	0	135,582
Intergovernmental	22,612	92,577	51,777	166,966
Charges for Services	172,607	0	0	172,607
Fines, Licenses and Permits	89,374	1,475	0	90,849
Earnings on Investments	858	83	0	941
Miscellaneous	31,946	15,442	0	47,388
<i>Total Cash Receipts</i>	<u>475,606</u>	<u>117,319</u>	<u>51,777</u>	<u>644,702</u>
Cash Disbursements				
Current:				
Security of Persons and Property	228,901	2,255	0	231,156
Basic Utility Services	148,999	0	0	148,999
Transportation	0	82,187	0	82,187
General Government	91,331	14,676	28,100	134,107
Debt Service:				
Principal Retirement	750	1,735	0	2,485
Interest and Fiscal Charges	0	12	0	12
<i>Total Cash Disbursements</i>	<u>469,981</u>	<u>100,865</u>	<u>28,100</u>	<u>598,946</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,625</u>	<u>16,454</u>	<u>23,677</u>	<u>45,756</u>
<i>Net Change in Fund Cash Balances</i>	5,625	16,454	23,677	45,756
<i>Fund Cash Balances, January 1</i>	<u>430,830</u>	<u>68,186</u>	<u>0</u>	<u>499,016</u>
Fund Cash Balances, December 31				
Restricted	0	84,640	23,677	108,317
Unassigned (Deficit)	<u>436,455</u>	<u>0</u>	<u>0</u>	<u>436,455</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$436,455</u></u>	<u><u>\$84,640</u></u>	<u><u>\$23,677</u></u>	<u><u>\$544,772</u></u>

See accompanying notes to the financials

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Custodial	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$405,054	\$0	\$405,054
<i>Total Operating Cash Receipts</i>	<u>405,054</u>	<u>0</u>	<u>405,054</u>
Operating Cash Disbursements			
Personal Services	60,344	0	60,344
Employee Fringe Benefits	9,870	0	9,870
Contractual Services	189,713	0	189,713
Supplies and Materials	3,974	0	3,974
Other	1,250	0	1,250
<i>Total Operating Cash Disbursements</i>	<u>265,151</u>	<u>0</u>	<u>265,151</u>
<i>Operating Income (Loss)</i>	<u>139,903</u>	<u>0</u>	<u>139,903</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	43,273	0	43,273
Loans Issued	328,240	0	328,240
Miscellaneous Receipts	6,615	0	6,615
Capital Outlay	(298,494)	0	(298,494)
Principal Retirement	(158,289)	0	(158,289)
Interest and Other Fiscal Charges	(6,465)	0	(6,465)
Other Financing Sources	0	100,837	100,837
Other Financing Uses	0	(100,766)	(100,766)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(85,120)</u>	<u>71</u>	<u>(85,049)</u>
<i>Net Change in Fund Cash Balances</i>	54,783	71	54,854
<i>Fund Cash Balances, January 1</i>	<u>247,171</u>	<u>(518)</u>	<u>246,653</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$301,954</u></u>	<u><u>(\$447)</u></u>	<u><u>\$301,507</u></u>

See accompanying notes to the financials

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project fund:

Other Capital Projects – Boat Dock Repair: This fund received money from FEMA for repairs to Village of Aberdeen's boat dock.

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

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

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Waste Water Treatment Plant (WWTP) Improvements: This fund receives money from OWDA for the repair of existing WWTP.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for:

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

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 custodial funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of 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 2019 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Assets

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

Fund Balance

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

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

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

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

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

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

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

Note 3- Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the FEMA park Clean Up fund by (\$13,442), in the Other Capital Projects-Boat Dock Repair fund by (\$51,777), in the Stivers Rd Sewer Extension fund by (\$191,304), and in the Wastewater Treatment Plan Improvements fund by (\$331,159) for the year ended December 31, 2019.

Contrary to Ohio law, appropriation authority exceeded certified estimated resources in the Street Construction fund by (\$40,208), in the State Highway fund by (\$684), in the Permissive MVL fund by (\$2,850), and in the Law Enforcement Trust fund by (\$853) for the year ended December 31, 2019.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$411,627	\$475,606	\$63,979
Special Revenue	65,602	117,319	51,717
Capital Projects	51,777	51,777	(0)
Enterprise	355,000	783,182	428,182
Total	\$884,006	\$1,427,884	\$543,878

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$821,143	\$513,770	\$307,373
Special Revenue	124,040	117,629	6,411
Capital Projects	0	51,777	(51,777)
Enterprise	537,823	947,530	(409,707)
Total	\$1,483,006	\$1,630,706	(\$147,700)

Note 5 – Deposits and Investments

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

Demand deposits	2019 \$846,279
Total deposits	846,279

Deposits

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

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1 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 7 - Risk Management

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

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

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015- December 31, 2019</i>	<i>12.25%</i>	<i>19.5%</i>

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$27,579	0%
Ohio Water Development Authority Loan #3306	\$108,347	2.2%
Ohio Water Development Authority Loan #8403	\$124,421	0%
Ohio Water Development Authority Loan #8404	\$151,962	0%
Total	\$412,309	

During 2000, the Village obtained an Ohio Water Development Authority (OWDA) loan #3306 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, including interest. The loan is collateralized by sewer receipts.

The Ohio Water Development Authority (OWDA) loan #8403 relates to wastewater treatment plant improvements project, and was also used to pay off the balance of OWDA loan #8191. The OWDA approved up to \$516,140 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$12,903.51 over 20 years. The scheduled payment amount included in the amortization table below assumes that \$516,140 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

The Ohio Water Development Authority (OWDA) loan #8404 relates to Stivers and River Roads Sewer project, and was also used to pay off the balance of OWDA loan #8192. The OWDA approved up to \$318,321 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,958 over 20 years. The scheduled payment amount included in the amortization table below assumes that \$318,321 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

During 2007, the Village obtained an Ohio Water Development Authority (OWDA) loan #4804 for \$863,740 for installing water meters. In 2017, the Brown County Rural Water Association (BCRWA) assumed responsibility of payments for this loan since the Aberdeen water system was sold to BCRWA. The payments made on this loan during 2019 were made by BCRWA. The amount outstanding at December 31, 2019 was \$443,020.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	OWDA Loans	OPWC Loan
2020	\$94,688	\$13,790
2021	78,636	13,790
2022	41,723	
2023	41,723	
2024	41,723	
2025-2029	208,615	
2030-2034	208,615	
2035-2039	208,615	
2040-2044	20,862	
Total	\$945,200	\$27,580

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The investments of the pension and other employee benefit plan in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$31,079	\$8,054	\$39,133
Municipal Income Tax	124,594	0	124,594
Intergovernmental	25,647	100,596	126,243
Charges for Services	170,799	0	170,799
Fines, Licenses and Permits	66,310	54	66,364
Earnings on Investments	805	191	996
Miscellaneous	55,697	7,775	63,472
<i>Total Cash Receipts</i>	<u>474,931</u>	<u>116,670</u>	<u>591,601</u>
Cash Disbursements			
Current:			
Security of Persons and Property	195,404	0	195,404
Leisure Time Activities	22,436	0	22,436
Basic Utility Services	135,015	0	135,015
Transportation	0	68,582	68,582
General Government	156,782	29,611	186,393
Debt Service:			
Principal Retirement	0	5,086	5,086
Interest and Fiscal Charges	0	155	155
<i>Total Cash Disbursements</i>	<u>509,637</u>	<u>103,434</u>	<u>613,071</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,706)</u>	<u>13,236</u>	<u>(21,470)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	210	0	210
<i>Total Other Financing Receipts (Disbursements)</i>	<u>210</u>	<u>0</u>	<u>210</u>
<i>Net Change in Fund Cash Balances</i>	(34,496)	13,236	(21,260)
<i>Fund Cash Balances, January 1</i>	<u>465,326</u>	<u>54,950</u>	<u>520,276</u>
Fund Cash Balances, December 31			
Restricted	0	68,186	68,186
Assigned	63,305	0	63,305
Unassigned (Deficit)	367,525	0	367,525
<i>Fund Cash Balances, December 31</i>	<u>\$430,830</u>	<u>\$68,186</u>	<u>\$499,016</u>

See accompanying notes to the financials

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$390,342	\$0	\$390,342
<i>Total Operating Cash Receipts</i>	<u>390,342</u>	<u>0</u>	<u>390,342</u>
Operating Cash Disbursements			
Personal Services	41,764	0	41,764
Employee Fringe Benefits	14,859	0	14,859
Contractual Services	160,398	0	160,398
Supplies and Materials	16,111	0	16,111
Other	2,352	0	2,352
<i>Total Operating Cash Disbursements</i>	<u>235,484</u>	<u>0</u>	<u>235,484</u>
<i>Operating Income (Loss)</i>	<u>154,858</u>	<u>0</u>	<u>154,858</u>
Non-Operating Receipts (Disbursements)			
Loans Issued	21,161	0	21,161
Miscellaneous Receipts	2,386	0	2,386
Capital Outlay	(21,161)	0	(21,161)
Principal Retirement	(82,549)	0	(82,549)
Interest and Other Fiscal Charges	(5,867)	0	(5,867)
Other Financing Sources	0	69,620	69,620
Other Financing Uses	0	(69,997)	(69,997)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(86,030)</u>	<u>(377)</u>	<u>(86,407)</u>
<i>Net Change in Fund Cash Balances</i>	68,828	(377)	68,451
<i>Fund Cash Balances, January 1</i>	<u>178,343</u>	<u>(141)</u>	<u>178,202</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$247,171</u></u>	<u><u>(\$518)</u></u>	<u><u>\$246,653</u></u>

See accompanying notes to the financials

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for:

Village of Aberdeen, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2018

Mayors Court Fund – This fund receives fines and forfeitures collected by Mayor’s Court which are distributed to the Village and State.

Basis of Accounting

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

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

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Village’s accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Fund Balance

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

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the general, special revenue and enterprise funds by \$509,637, \$103,434, and \$344,959, respectively, for the year ended December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$427,900	\$475,039	\$47,139
Special Revenue	70,025	116,670	46,645
Enterprise	402,700	413,889	11,189
Total	\$900,625	\$1,005,598	\$104,973

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$509,637	(\$509,637)
Special Revenue	0	103,434	(103,434)
Enterprise	0	344,959	(344,959)
Total	\$0	\$958,030	(\$958,030)

Note 5 – 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:

	2018
Demand deposits	\$745,669
Total deposits	745,669

Deposits

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

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1 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.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 7 - Risk Management

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

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

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

2018

Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2018</i>	<i>10%</i>	<i>14%</i>

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015- December 31, 2018</i>	<i>12.25%</i>	<i>19.5%</i>

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$41,369	0%
Ohio Water Development Authority Loan #3306	\$178,628	2.2%
Ohio Water Development Authority Loan #8191	\$13,796	0.0%
Ohio Water Development Authority Loan #8192	\$7,365	0.0%
Mower Lease	1,734	3.60%
Total	<u>\$242,892</u>	

During 2000, the Village obtained an Ohio Water Development Authority (OWDA) loan #3306 for a sewer plant expansion project. This loan will be repaid in semi-annual installments of \$36,913, including interest.

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, including interest. The loan is collateralized by sewer receipts.

The Ohio Water Development Authority (OWDA) loan #8191 relates to the design of wastewater treatment plant improvements. The OWDA approved up to \$73,800 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$7,380 over 5 years. The scheduled payment amount included in the amortization table below assumes that \$73,800 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

The Ohio Water Development Authority (OWDA) loan #8192 relates to the design of the Stivers and River Roads Sewer. The OWDA approved up to \$15,980 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$1,598 over 5 years. The scheduled payment amount included in the amortization table below assumes that \$15,980 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

During 2007, the Village obtained an Ohio Water Development Authority (OWDA) loan #4804 for \$863,740 for installing water meters. In 2017, the Brown County Rural Water Association (BCRWA) assumed responsibility of payments for this loan since the Aberdeen water system was sold to BCRWA. The payments made on this loan during 2018 were made by BCRWA. The amount outstanding at December 31, 2018 was \$485,614.

Leases

The Village leases mowers under noncancelable leases. The Village disbursed \$5,241 to pay lease costs for the year ended December 31, 2018.

Amortization

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

Year Ending December 31:	Mower Lease	OWDA Loans	OPWC Loan
2019	\$1,747	\$82,804	\$13,790
2020		91,782	13,790
2021		54,869	13,790
2022		17,956	
2023		17,956	
2024-2028		8,978	
Total	\$1,747	\$274,345	\$41,370

Village of Aberdeen, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The investments of the pension and other employee benefit plan in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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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
PO Box 509
Aberdeen, Ohio 45101

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Aberdeen, Brown County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 1, 2021 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. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-002 through 2019-004. Subsequent to issuing our March 1, 2021 report, we determined this report should not include finding 2019-006.

This report removes finding previously numbered 2019-006 and re-numbers previously numbered finding 2019-007 to number 2019-006. The removal of this finding does not affect our opinion on the financial statements also dated March 1, 2021.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2021, except for Finding 2019-006, which is as of April 12, 2021

**VILLAGE OF ABERDEEN
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

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

We identified the following conditions related to the above criteria for which the Village has posted adjustments to the accompanying financial statements and accounting records, as appropriate, for 2018:

- Unassigned Fund Balance in the General fund was overstated and Assigned Fund Balance was understated by \$63,305.
- Motor Vehicle License (MVL) receipts totaling \$13,701 in the Street Construction Maintenance Repair fund were incorrectly classified as Property Tax receipts rather than Intergovernmental receipts.
- MVL receipts totaling \$1,764 in the State Highway fund were incorrectly classified as Property Tax receipts rather than Intergovernmental receipts.
- Grant receipts totaling \$25,510 were incorrectly posted to General fund Miscellaneous receipts instead of Street Construction Maintenance Repair fund Intergovernmental receipts. The Village also incorrectly recorded a Transfer Out of the General fund and a Transfer In to the Street Construction Maintenance Repair fund to correct this error; the transfers were eliminated on the financial statements.
- Debt principal payment of \$16,709 was incorrectly posted to various other expenditure line items in the Sewer Operating fund.
- OWDA loan proceeds and related expenditures were incorrectly posted to the Sewer Operating fund in the amount of \$21,161. \$7,365 of the loan proceeds and related expenditures should have been posted to the Stivers Rd. Sewer Extension fund and \$13,796 of the loan proceeds and related expenditures should have been posted to the Wastewater Treatment Plant Improvements fund.
- Loan fees totaling \$800 in the Sewer Operating fund were incorrectly classified as principal and contractual services expenditures rather than Interest and Fiscal Charges expenditures.
- The Village did not properly report the mayor's court receipts, disbursements, and fund balances in an Agency fund on the financial statements. For 2018, the Mayor's Court Agency fund had a Beginning fund balance of (\$141), Non-Operating cash receipts of \$69,620, Non-Operating cash disbursements of \$69,997, and Ending fund balance of (\$518).

We identified the following conditions related to the above criteria for which the Village has posted adjustments to the accompanying financial statements and accounting records, as appropriate, for 2019:

- Local government receipt in the amount of \$561 was incorrectly posted to the Street Construction Maintenance Repair fund Property Tax receipts instead of the General fund Intergovernmental receipts.

**FINDING NUMBER 2019-001
(Continued)**

- MVL receipts totaling \$12,039 in the Street Construction Maintenance Repair fund were incorrectly classified as Property Tax receipts rather than Intergovernmental receipts.
- MVL receipts totaling \$902 in the State Highway fund were incorrectly classified as Property Tax receipts rather than Intergovernmental receipts.
- MVL receipts totaling \$517 were incorrectly allocated to the Street Construction Maintenance Repair fund instead of the State Highway fund. The receipts were also incorrectly classified as Property Tax receipts rather than Intergovernmental receipts.
- Permissive MVL receipt in the amount of \$553 was incorrectly posted to the Street Construction Maintenance Repair fund instead of the Permissive MVL fund.
- OWDA loan proceeds totaling \$66,164 were incorrectly posted as Intergovernmental receipts rather than Loans Issued in the Wastewater Treatment Plant Improvements fund.
- OWDA loan proceeds totaling \$101,499, principal payment of \$57,039, and Capital Outlay expenditure of \$44,460 were not posted by the Village. The activity should have been posted to the Wastewater Treatment Plant Improvement fund.
- OWDA loan proceeds totaling \$121,273 were incorrectly posted as Intergovernmental receipts rather than Loans Issued in the Stivers Rd. Sewer Extension fund.
- OWDA loan proceeds totaling \$15,980 and principal payment of \$15,980 were not posted by the Village. The activity should have been posted to the Stivers Rd. Sewer Extension fund.
- OWDA loan proceeds in the amount of \$23,324 were incorrectly posted to Sewer Operating fund Miscellaneous receipts rather than Stivers Rd. Sewer Extension fund Loans Issued. The associated expenditures were also incorrectly posted to the Sewer Operating fund Contractual Services expenditures rather than the Stivers Rd. Sewer Extension fund Capital Outlay expenditures.
- Loan fees totaling \$2,920 in the Sewer Operating fund were incorrectly classified as principal expenditures rather than Interest and Fiscal Charges expenditures.
- OWDA loan proceeds and associated expenditures of \$18,811 were posted twice to the Wastewater Treatment Plant Improvements fund, resulting in Intergovernmental receipts and Capital Outlay expenditures being overstated.
- OPWC funds paid directly to the vendor in the amount of \$3,471 were not posted by the Village. The Village should have recorded an Intergovernmental receipt and Capital Outlay expenditure for the amount in the Wastewater Treatment Plan Improvements fund.
- The Village did not properly report the mayor's court receipts, disbursements, and fund balances in an Agency/Custodial fund on the financial statements. For 2019, the Mayor's Court Agency fund had a Beginning fund balance of (\$518), Non-Operating cash receipts of \$100,837, Non-Operating cash disbursements of \$100,766, and Ending fund balance of (\$447).

Additional immaterial errors were noted in amounts ranging from \$1,200 to \$20,387 in 2019 and ranging from \$1,189 to \$10,146 in 2018. The Village did not post these adjustments to the accompanying financial statements.

**FINDING NUMBER 2019-001
(Continued)**

Failure to accurately post and report transactions 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.

We recommend due care be exercised when posting entries to the financial records and in financial statement preparation. The Village officials should review the chart of accounts, the AOS Village Officers Handbook, and AOS Bulletin 2011-004 to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

Officials' Response:

In the future, due care will be exercised when posting entries to the financial record and in financial statement preparations. The Village of Aberdeen officials will review charts of accounts, the AOS Village Officers Handbook and AOS Bulletin 2011-004, to assure that items are being posted to the proper account codes and funds updated according to control procedures for review of financial activity, so that errors can be detected and corrected in a timely manner.

FINDING NUMBER 2019-002

Noncompliance

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, **Ohio Rev. Code § 149.351** requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§149.38 through 149.42.

The Village did not maintain underlying documentation and support for the following transactions:

- Four out of nine (44%) miscellaneous receipts tested in 2018 including refunds, donations and vendor fees from Court Days.
- One expenditure to Pitney Bowes in the amount of \$200 in 2018. By performing alternative procedures we determined that this expenditure was for a proper public purpose.
- One expenditure to Ebay in the amount of \$72.88 in 2019. We were unable to determine if this expenditure was for a proper public purpose.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Village should maintain all invoices and other supporting documents for all financial transactions and records should be maintained in an orderly manner to support all transactions.

Officials' Response:

In the future, the Village will maintain all invoices and other supporting documents for all financial transactions and records will be maintained in an orderly manner to support all transactions.

FINDING NUMBER 2019-003

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2019 the Village's appropriations exceeded the amount certified as available by the budget commission in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Street Construction-2011	\$57,860	\$98,068	(\$40,208)
State Highway- 2021	\$7,022	\$7,706	(\$684)
Permissive Motor Vehicle-2101	\$10,837	\$13,687	(\$2,850)
Law Enforcement Trust- 2091	\$0	\$853	(\$853)

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations.

Officials' Response:

In the future, the Village of Aberdeen will draft, approved and implement procedures to compare appropriations to estimated resources, and if adequate resources are available for additional appropriations. The Village will submit an amended certificate of estimated resources to the budget commission for certification. If the resources, are not available to cover appropriations, an amendment to the appropriations resolution will be passed by the Council to reduce the appropriations.

FINDING NUMBER 2019-004

Noncompliance

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit authority from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

The Village had inadequate policies and procedures in approving and reviewing budget versus actual information.

**FINDING NUMBER 2019-004
 (Continued)**

The Village did not pass either a permanent or temporary appropriation measure for 2018. Because there was no appropriation measure in effect, the following funds had expenditures that exceeded appropriations for 2018:

Fund	Appropriations	Expenditures	Variance
General- 1000	\$0	\$509,637	(\$509,637)
Street Construction- 2011	\$0	\$92,028	(\$92,028)
State Highway- 2021	\$0	\$6,165	(\$6,165)
Permissive Motor Vehicle- 2101	\$0	\$5,241	(\$5,241)
Water Operating- 5101	\$0	\$217	(\$217)
Sewer Operating- 5201	\$0	\$342,492	(\$342,492)
Enterprise Deposit- 5781	\$0	\$2,250	(\$2,250)

The Village did pass an appropriation measure for 2019 but it did not include appropriations for all funds. The following funds had expenditures plus encumbrances that exceeded appropriations for 2019:

Fund	Appropriations	Expenditures plus encumbrances	Variance
FEMA Park Clean Up- 2901	\$0	\$13,442	(\$13,442)
Other Capital Projects-Boat Dock Repair- 4901	\$0	\$51,777	(\$51,777)
Stivers Road Sewer Extension- 5702	\$0	\$191,304	(\$191,304)
WWTP Improvements- 5703	\$0	\$331,159	(\$331,159)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

In the future, the Council will closely monitor expenditure and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer will deny payment request exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2019-005

Material Weakness

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

**FINDING NUMBER 2019-005
 (Continued)**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources was not properly posted to the accounting system. The following variances were noted:

2018			
Fund	Certificate of Estimated Resources	Estimated Receipts in Accounting System	Variance
General- 1000	\$427,900	\$486,227	(\$58,327)
Street Construction- 2011	\$58,125	\$60,650	(\$2,525)
State Highway- 2021	\$4,700	\$4,605	\$95
Drug Law Enforcement- 2081	\$200	\$1,000	(\$800)
Sewer Operating- 5201	\$402,700	\$355,000	\$47,700

2019			
Fund	Certificate of Estimated Resources	Estimated Receipts in Accounting System	Variance
General- 1000	\$411,627	\$409,227	\$2,400
Street Construction- 2011	\$26,670	\$57,070	(\$30,400)
Permissive Motor Vehicle- 2101	\$4,000	\$7,000	(\$3,000)
Enforcement & Education- 2271	\$13,000	\$0	\$13,000
Stivers Road Extension- 5702	\$0	\$281,177	(\$281,177)
EntWWTP Improvements- 5703	\$0	\$880,000	(\$880,000)

**FINDING NUMBER 2019-005
 (Continued)**

2018			
Fund	Appropriations	Appropriations in Accounting System	Variance
General- 1000	\$0	\$535,334	(\$535,334)
Street Construction- 2011	\$0	\$73,505	(\$73,505)
State Highway- 2021	\$0	\$4,605	(\$4,605)
Permissive Motor Vehicle- 2101	\$0	\$7,000	(\$7,000)
Drug Law Enforcement- 2081	\$0	\$800	(\$800)
Water Operating- 5101	\$0	\$314	(\$314)
Sewer Operating- 5201	\$0	\$361,496	(\$361,496)
Enterprise Deposit- 5781	\$0	\$2,500	(\$2,500)

2019			
Fund	Appropriations	Appropriations in Accounting System	Variance
General- 1000	\$821,143	\$531,594	\$289,549
Street Construction- 2011	\$98,068	\$82,376	\$15,692
State Highway- 2021	\$7,706	\$7,022	\$684
Drug Law Enforcement- 2081	\$2	\$50	(\$48)
FEMA Park Clean Up- 2901	\$0	\$13,442	(\$13,442)
Other Capital Projects- Boat Dock Repair- 4901	\$0	\$51,777	(\$51,777)
Sewer Operating- 5201	\$531,750	\$463,126	\$68,624
Stivers Road Sewer Extension-5702	\$0	\$281,177	(\$281,177)
WWTP Improvements- 5703	\$0	\$866,204	(\$866,204)

The budgetary information presented in the notes to the financial statements was also misstated as a result of the Village using the incorrect amounts from the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should accurately post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**FINDING NUMBER 2019-005
(Continued)**

Officials' Response:

In the future, to effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village of Aberdeen will accurately post to the ledgers, on a timely basis, estimated resources as certified by the budget commission an appropriation approved by the Village Council. The Village will then monitor budget verses actual reports to help ensure amended certifications of resources and appropriations have been properly posted to the ledger.

OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS Compliance and Controls report.

FINDING NUMBER 2019-006

Finding for Recovery

Ohio Rev. Code Section 2921.41 prohibits committing any theft offense when the offender uses the offender's office in the aid of committing the offense and the property or service involved is owned by the state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. Whoever violates this section is guilty of theft in office.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In November and December 2019, the Village identified 16 transactions totaling \$460 where the Village's gas card was used to purchase gas for a personal vehicle by Village employee Shawn Books. Mr. Books was terminated and his final paycheck in the amount of \$139 was withheld as partial restitution.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shawn Books, former Village General Laborer, in the amount of \$321, and in favor of the Village of Aberdeen's Street Construction Maintenance & Repair fund in the amount of \$160, and in favor of the Village of Aberdeen's Sewer Operating fund in the amount of \$161.

Officials' Response:

The Village of Aberdeen has filed charges against Shawn Books. Court proceeding are moving forward to recover the money.

The Village of Aberdeen
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Posting Errors	Not Corrected	Reissued as finding 2019-001
2017-002	Destruction of Records	Not Corrected	Reissued as finding 2019-002
2017-003	Mayor's Court Bank Reconciliations	Corrected	
2017-004	Expenditures exceeded appropriations	Not Corrected	Reissued as finding 2019-004

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ABERDEEN

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/20/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov