



Dave Yost · Auditor of State

**VILLAGE OF PATTERSON
HARDIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015.....	3
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) - Enterprise Fund - For the Year Ended December 31, 2015.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) - Enterprise Fund - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	17

This page intentionally left blank.



Dave Yost • Auditor of State

AUDITOR'S REPORT

Village of Patterson
Hardin County
P.O. Box 81
Forest, Ohio 45843

To the Members of Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Patterson, Hardin County, (the Village) as of and for the years ended December 31, 2015 and 2014 following Ohio Admin. Code §117-4-02.

There is a reportable finding as a result of performing these procedures. Our reportable finding follows the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

September 19, 2016

This page intentionally left blank.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$1,032		\$1,032
Municipal Income Tax	7,378		7,378
Intergovernmental	4,230	\$4,881	9,111
Fines, Licenses and Permits	715		715
Earnings on Investments		50	50
Miscellaneous	60		60
Total Cash Receipts	<u>13,415</u>	<u>4,931</u>	<u>18,346</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,793		1,793
Public Health Services	276		276
Transportation		7,865	7,865
General Government	5,902		5,902
Total Cash Disbursements	<u>7,971</u>	<u>7,865</u>	<u>15,836</u>
Excess of Receipts Over (Under) Disbursements	5,444	(2,934)	2,510
Fund (Deficit) Cash Balances, January 1	<u>(11,283)</u>	<u>13,086</u>	<u>1,803</u>
Fund Cash Balances, December 31:			
Restricted		10,152	10,152
Unassigned (Deficit)	(5,839)		(5,839)
Fund Cash Balances, December 31	<u>(\$5,839)</u>	<u>\$10,152</u>	<u>\$4,313</u>

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

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer Fund</u>
Non-Operating Cash (Disbursements):	
Principal Retirement	<u>(\$637)</u>
Total Non-Operating Cash (Disbursements)	<u>(637)</u>
 Fund Cash Balance, January 1	 <u>16,565</u>
 Fund Cash Balance, December 31	 <u><u>\$15,928</u></u>

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

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$1,078		\$1,078
Municipal Income Tax	856		856
Intergovernmental	2,403	\$4,224	6,627
Fines, Licenses and Permits	645		645
Earnings on Investments		35	35
Miscellaneous	49		49
Total Cash Receipts	5,031	4,259	9,290
Cash Disbursements:			
Current:			
Security of Persons and Property	1,802		1,802
Public Health Services	276		276
General Government	4,575		4,575
Total Cash Disbursements	6,653		6,653
Excess of Receipts Over / (Under) Disbursements	(1,622)	4,259	2,637
Fund (Deficit) Cash Balances, January 1	<u>(9,661)</u>	<u>8,827</u>	<u>(834)</u>
Fund Cash Balances, December 31:			
Restricted		13,086	13,086
Unassigned (Deficit)	(11,283)		(11,283)
Fund Cash Balances, December 31	<u>(\$11,283)</u>	<u>\$13,086</u>	<u>\$1,803</u>

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

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Sewer Fund
Fund Cash Balance, January 1	<u><u>\$16,565</u></u>
Fund Cash Balance, December 31	<u><u>\$16,565</u></u>

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

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Patterson, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street lighting, maintains storm drains, and street repair and maintenance. Fire protection is provided by the Village of Forest.

The Village participates in two jointly governed organizations. Note 9 to the financial statements provides additional information for these organizations. These organizations are:

Hardin County Regional Planning Commission - makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Jackson-Forest Ambulance District - provides emergency medical and ambulance services within the District.

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

B. Accounting Basis

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 Village 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.

C. Deposits and Investments

The Village's does not have any investments. All money is maintained in an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

3. 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 Enterprise Fund:

Sewer Fund - This fund previously received an assessment from residents to pay for the construction of a sewage system as the result of an Environmental Protection Agency mandate. The Village suspended collection of the fees when the Village went into fiscal emergency.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting which violated Ohio Rev. Code Section 5705.41(D).

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

F. 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 PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. 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.

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	<u>\$20,241</u>	<u>\$18,368</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,139	\$13,415	\$7,276
Special Revenue	4,254	4,931	677
Enterprise			
Total	<u>\$10,393</u>	<u>\$18,346</u>	<u>\$7,953</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,530	\$7,971	\$2,559
Special Revenue	8,990	7,865	1,125
Enterprise	650	637	13
Total	<u>\$20,170</u>	<u>\$16,473</u>	<u>\$3,697</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,158	\$5,031	(\$2,127)
Special Revenue	2,570	4,259	1,689
Enterprise			
Total	<u>\$9,728</u>	<u>\$9,290</u>	<u>(\$438)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,090	\$6,653	\$4,437
Special Revenue	2,950	2,950	2,950
Enterprise			
Total	<u>\$14,040</u>	<u>\$6,653</u>	<u>\$7,387</u>

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

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.

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

5. LOCAL INCOME TAX

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.

The income tax is collected by the Regional Income Tax Agency (RITA) and is remitted to the Village. Income tax receipts are credited to the Village's General Fund.

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

8. DEBT

The Village entered into a Waste Water Collection Design Loan (#5509) dated July 30, 2009 with the Ohio Water Development Authority. The loan was closed and the principal payment was made in 2015 from the Enterprise Sewer Fund.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. CONTINGENT LIABILITIES

The Ohio Environmental Protection Agency (EPA) has mandated that the Village reduce the amount of waste going into a neighboring creek. An engineering study was paid for through a grant obtained by Hardin County. The study that was conducted gave the Village three options. The Village Council plans to request the neighboring Village of Forest to extend sewer service to the Village.

10. JOINTLY GOVERNED ORGANIZATIONS

A. The Hardin County Regional Planning Commission – (the Commission) is a jointly governed entity between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, and of which may hold any other public office. The Township is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

B. The Jackson-Forest Ambulance District – (the District) is a jointly governed entity governed by a three-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Jackson Township, the Village of Forest and the Village of Patterson. The District provides ambulance services within the District and by contract to areas outside the District. Financial information can be obtained from Karin Bash, Clerk at 1699 Township Road 195, Forest, Ohio 45843.

11. FISCAL EMERGENCY

The Village had negative General fund balance at December 31, 2012. As a result, the Village was placed in Fiscal Emergency on May 14, 2013. As of December 31, 2015, the Village remains in fiscal emergency.



Dave Yost • Auditor of State

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Patterson
Hardin County
P.O. Box 81
Forest, Ohio 45843

To the Members of Council:

We selectively tested certain accounts, financial records, files and reports of the Village of Patterson, Hardin County, (the Village) as of and for the years ended December 31, 2015 and 2014 following the Ohio Admin. Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted no matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed an instance of noncompliance or other matter that is reported in the accompanying schedule of findings as item 2015-001.

We intend this report solely for the information and use of management, the Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Rev. Code, and others within the Village. We intend it for no one other than these specified parties.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

September 19, 2016

This page intentionally left blank.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village did not certify the availability of funds prior to the purchase commitment for 100% of the disbursements made in 2015 and 2014.

FINDING NUMBER 2015-001
(Continued)

To improve controls over disbursements, and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village's Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "Then and Now" certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Council should approve the payment by resolution within 30 days.

OFFICIALS' RESPONSE: The Village does not use purchase orders/prior certify since there are a limited number of bills.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2013-001	Internal Control – Accuracy of Financial Reporting - Errors were noted in the 2012 and 2013 Financial Statements	Corrective Action Taken and Finding is Fully Corrected	
2013-002	Ohio Rev. Code § 5705.10 (I) – The Village allocated wages of the Fiscal Officer and Solicitor to the Enterprise Sewer Fund without maintaining documentation to support the allocations	Corrective Action Taken and Finding is Fully Corrected	
2013-003	Ohio Rev. Code § 5705.14(E) – Transfers were made from the General Fund to Special Revenue Funds without approval of Village Council by Resolution	Finding no longer valid since no transfers were made in 2015 and 2014	
2013-004	Ohio Rev. Code § 5705.41(D) – The Village did not properly certify the availability of funds prior to purchase commitments. This comment has been reported since the 1999-1998 audit period.	Not Corrected	Repeated as Finding 2015-001. The Village does not use purchase orders/prior certify since there are a limited number of bills.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF PATTERSON

HARDIN 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2016