



Dave Yost • Auditor of State

**Village of Patterson
Hardin County**

Financial Emergency Termination

Local Government Services

Village of Patterson, Hardin County

Fiscal Emergency Termination

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For the Years Ending December 31, 2017 Through December 31, 2021

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CERTIFICATION

The Auditor of State has performed an analysis of the Village of Patterson to determine whether the Village has satisfied the requirements of Chapter 118 of the Ohio Revised Code for termination from fiscal emergency. Based on the analysis, the Auditor of State certifies that the Village of Patterson no longer meets the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the financial supervisor, with the powers and responsibilities of the Financial Planning and Supervision Commission, for the Village of Patterson is terminated as of November 14, 2017.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Jason Kearns, Mayor of the Village of Patterson; Cheryl Holtzberger, President Pro-Tempore of Village Council; John Kasich, Governor; John Husted, Secretary of State; Timothy Keen, Director of the Office of Budget and Management; and Michael T. Bacon, Hardin County Auditor.

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

Dave Yost
Auditor of State

November 14, 2017

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Village of Patterson, Hardin County
Report on the Village of Patterson
Fiscal Emergency Termination

Report on the Village of Patterson Fiscal Emergency Termination

As provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine if the Village of Patterson has satisfied the requirements set forth in Section 118.27(A) of the Revised Code in order for the Village's fiscal emergency status to be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Under Section 118.05(L), the Auditor of State has served as the financial supervisor in place of the financial planning and supervision commission due to the Village having a population of less than one thousand.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through ten of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page ten.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page thirteen.

We examined and issued a nonadverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State's Office has determined that the fiscal emergency for the Village of Patterson may be terminated.

It is understood that this report's determination is for the use of the Village of Patterson, the Auditor of State of Ohio, the Governor of Ohio, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Patterson, Hardin County
Report on the Village of Patterson
Fiscal Emergency Termination

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Patterson (the Village) and issued a Report on Accounting Methods, dated March 20, 2014. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination from fiscal emergency include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report of Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

The Village does not prepare a tax budget or tax ordinance as required by State statute. The County Budget Commission has waived the requirement for the filing of the tax budget; however, the requirement for the tax ordinance cannot be waived by the County Budget Commission. The Mayor is required to prepare a tax ordinance to determine the amount of the tax levy. This ordinance is not currently being completed.

Implemented

A tax ordinance was prepared by the Mayor and approved by Village Council for 2018 on July 12, 2017.

Auditor of State Comment from Report on Accounting Methods

The Village had deficit fund balances contrary to section 5705.10 of the Revised Code. The Village Fiscal Officer, as well as the Village Council, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be ongoing and documented.

Implemented

The Village has eliminated all deficit fund balances. The Fiscal Officer prepares financial and budgetary activity on a monthly basis and Village Council reviews a budgetary comparison schedule.

Village of Patterson, Hardin County
Report on the Village of Patterson
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Auditor of State Comment from Report on Accounting Methods

Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Fiscal Officer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented

The Fiscal Officer reviews the comparison of appropriations to estimated resources with Village Council each month and prior to the approval of any increase in appropriations.

Auditor of State Comment from Report on Accounting Methods

The Village does not compare actual receipts to estimated resources during the year or request an amended certificate of estimated resources when increases or decreases are appropriate as required by Section 5705.36 of the Revised Code. The Fiscal Officer should document the comparison of actual receipts to estimated receipts and present this comparison to the Village Council prior to requesting an amended certificate of estimated resources from the County Auditor.

Implemented

The Fiscal Officer reviews a budgetary comparison schedule monthly comparing actual receipts to estimated resources. If an increase or decrease in the amended certificate is needed, the reason and amount of the increase or decrease is reviewed with Village Council and the request is submitted to the County Auditor.

Auditor of State Comment from Report on Accounting Methods

The Village does not compare cash disbursements plus encumbrances to available appropriations prior to certifying any purchase obligations and to determine whether any adjustments are needed to the amounts appropriated during the year. Section 5705.41(B) of the Revised Code states that no expenditure of money may be made unless it has been appropriated. The Fiscal Officer should periodically review appropriations to determine if amounts appropriated will be sufficient for the remainder of the year and in the appropriate line item appropriation prior to certifying any purchase obligations.

Implemented

Prior to the certification of any purchase obligation, the Fiscal Officer reviews appropriations on the budgetary comparison schedule to determine if amounts appropriated are sufficient or whether any adjustments are needed.

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Accounting Journals and Ledgers

Auditor of State Comment from Report on Accounting Methods

The Village is maintaining a receipts ledger and appropriations ledger on excel spreadsheets; however, a comparison of estimated receipts to actual receipts and a balance of the estimated amount remaining to be collected is not being maintained. Likewise for appropriations a comparison of expenditures to appropriations, the amount encumbered, and the unencumbered appropriation balance is not being maintained. This information must be maintained to ensure that appropriations are not made that exceed estimated resources available for appropriation or that amounts are not encumbered or expended that are in excess of amounts appropriated.

Implemented

The Fiscal Officer prepares a budgetary comparison schedule monthly that compares the estimated receipts to actual receipts and a balance of the estimated amount remaining to be collected. The schedule also compares expenditures to appropriations, the amount encumbered, and the unencumbered balance. The schedule is provided to Village Council monthly.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

There is no preapproval process in place to initiate a purchase. All purchases should be approved by the Mayor and certified by the Fiscal Officer prior to the order for goods and services being placed.

Implemented

The Mayor approves all purchase orders which are certified by the Fiscal Officer prior to the order for goods or services being placed.

Auditor of State Comment from Report on Accounting Methods

The Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services.

Implemented

The Village is utilizing purchase orders to encumber funds against applicable appropriation accounts prior to a purchase. Purchase orders are certified by the Fiscal Officer and prior to the order for goods and services being placed.

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Report on the Village of Patterson
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Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer does not utilize a Then and Now Certificate when purchases are made without prior approval and certification. Purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed and at the current time (time of payment), a sufficient sum was appropriated and is in the treasury or in the process of collection. Then and Now Certificates for amounts in excess of \$3,000 must be approved by council resolution within thirty days.

Implemented

The Fiscal Officer is using regular and blanket purchase orders. However, then and now purchase orders will be used when necessary.

Auditor of State Comment from Report on Accounting Methods

The Village does not require new vendors to submit information before a purchase order is completed. The Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.

Implemented

The Village does not pay many vendors in which an IRS Form W-9 is needed. When necessary, the Village will require all new vendors to submit required information before a purchase order is completed, including an IRS Form W-9.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

The Village does not properly authorize purchases, certify availability of funds prior to making purchase, or use purchase orders as required by Revised Code Section 5705.41 and Ohio Administrative Code 117-2-02. The Village must establish a process by which purchase are properly authorized, received, and verified before invoices are paid.

Implemented

Good and services are properly authorized prior to purchase and verified prior to payment. Authorization for purchases occurs when the Mayor approves the purchase order. Invoices for goods and services received are reviewed for the accuracy of items, quantities, and costs.

Payroll Processing

The Fiscal Officer is not maintaining adequate personnel files. A file must be maintained for each individual including such information as the Form W-4, Form IT-4, and OPERS Personal History Record, as well as pay rate information.

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Implemented

The Fiscal Officer has updated all applicable files and is maintaining adequate records and supporting documentation.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should prepare a monthly reconciliation of the bank account to the Village's cash journal. This reconciliation, with supporting documentation, should be presented to Village Council for review and approval each month.

Implemented

The Fiscal Officer properly prepares a monthly reconciliation and makes it available to Village Council for review and approval each month.

Auditor of State Comment from Report on Accounting Methods

In accordance with Ohio Revised Code Section 733.27, the Fiscal Officer is required to attend annual training programs of continuing education. The Fiscal Officer is not attending any such training programs.

Implemented

The Fiscal Officer attended the annual 2016 Fall Village Officer training conducted by the Auditor of State's Office.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

Village Council has not defined, by ordinance, the type or frequency of financial information to be reported to Village Council. The Fiscal Officer should provide Village Council with a report that identifies year to date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund, as well as information concerning estimated and actual receipts, appropriations, and disbursements plus encumbrances.

Implemented

Village Council approved an ordinance requiring the Fiscal Officer to provide Village Council monthly the "Budgetary Comparison Schedule". The schedule identifies year to date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund, as well as information concerning estimated and actual receipts, appropriations, and disbursements plus encumbrances.

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Auditor of State Comment from Report on Accounting Methods

The Village annually prepares its financial statements using the cash basis of accounting and has chosen not to present financial statements that “look like” financial statements prepared in accordance with generally accepted accounting principles. While this regulatory presentation is acceptable, the Village has failed to implement fund balance classifications as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. The Village must classify fund balance as nonspendable, restricted, committed, assigned, or unassigned as outlined in GASB Statement No. 54.

Implemented

The Village has implemented fund balance classifications as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” in its annual financial statements.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

The minutes reflect occasions when, in the adoption or passage of an ordinance, the yeas and nays are not entered into the minutes. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of Village Council and the yeas and nays shall be entered into the minutes.

Implemented

The Village enters into the minutes the yeas and nays for the adoption or passage of an ordinance, resolution, or bylaws.

Auditor of State Comment from Report on Accounting Methods

The Village has not established a records commission as required by Section 149.39 of the Revised Code.

Implemented

The Village established a records commission on July 10, 2017.

Auditor of State Comment from Report on Accounting Methods

The Village has not established rules for the retention and disposal of records as required by section 149.39 of the Revised Code.

Implemented

The Village Council established rules for records retention and disposal of records on July 10, 2017.

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Audit Report

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The audit for the period ended December 31, 2015 and 2014, identified five noncompliance issues.

The noncompliance issues noted in the audit and management letter consisted of not certifying the availability of funds prior to the purchase commitment, not adopting a public records and records retention policy, the Fiscal Officer not attending any annual continuing education programs provided by the Auditor of State, failure by the Village's bank to provide electronic imaging of both the front and back of canceled checks, and not issuing a Form 1099 to a vendor.

The Village is using purchase orders, has adopted a records retention policy, and the Fiscal Officer is attending training to comply with the Fiscal Integrity Act. The Village is working with the bank on the electronic imaging issue. Beginning in 2017, the Village will issue a 1099 for the snow plowing contract.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. The Village had no debt outstanding as of May 31, 2017.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or

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Report on the Village of Patterson
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- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through discussion with the Fiscal Officer. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of May 31, 2017. All employees have been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Hardin County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2017 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Hardin County Budget Commission indicated that the Commission had not taken any action for tax year 2017 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of May 31, 2017.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

Village of Patterson, Hardin County
Report on the Village of Patterson
Fiscal Emergency Termination

We prepared a schedule of accounts payable as of December 31, 2016, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2016, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2016. There were no payables over thirty days past due.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2016, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2016.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2016, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Village of Patterson, Hardin County
 Report on the Village of Patterson
 Fiscal Emergency Termination

Schedule I

Treasury Balance
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2016

	Amounts at December 31, 2016
Bank Cash Balance	
Community First Bank - General Checking	\$36,279
Less Reconciling Factors for Outstanding Checks	(37)
Total Treasury Balance	36,242
Positive Fund Balances	
General	5,996
Street Construction	11,848
State Highway	2,470
Sewer	15,928
Total Positive Fund Balances	36,242
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2016. The treasury balance less the positive fund cash balances as of December 31, 2016, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Village of Patterson, Hardin County
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Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a nonadverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

**Village of Patterson
Hardin County**

Financial Forecast

For the Years Ending December 31, 2017 Through December 31, 2021

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Village of Patterson, Hardin County

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Dave Yost • Auditor of State

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

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the General Fund of the Village of Patterson, for the five years ending December 31, 2021. This statement is presented on the budget basis of accounting used by the Village of Patterson rather than on generally accepted accounting principles. The Village of Patterson's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Patterson and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Dave Yost
Auditor of State

September 6, 2017

Village of Patterson, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014, Through 2016, Actual
and Ending December 31, 2017, Through 2021, Forecasted

General Fund

	2014 Actual	2015 Actual	2016 Actual
Revenues			
Property Taxes	\$1,078	\$1,032	\$1,099
Municipal Income Taxes	856	7,378	12,972
Intergovernmental	2,403	4,230	5,972
Licenses and Permits	645	715	781
Interest	0	0	17
Miscellaneous	49	60	500
Total Revenues	5,031	13,415	21,341
Expenditures			
Security of Persons and Property - Street Lighting			
Contractual Services	1,802	1,793	1,787
Public Health Services - County Health Department			
Contractual Services	276	276	200
General Government			
Mayor			
Personal Services	400	400	406
Council			
Personal Services	694	670	987
Fiscal Officer			
Personal Services	1,190	1,190	1,210
Contractual Services	142	159	109
Supplies and Materials	185	151	587
Total Fiscal Officer	1,517	1,500	1,906
Property Tax Collection Fees			
Contractual Services	123	35	103
Auditor of State Fees			
Contractual Services	0	1,511	1,646
Solicitor			
Personal Services	990	990	1,008

2017 Forecasted	2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted
\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
8,000	8,160	8,330	8,500	8,670
5,880	5,880	6,030	6,030	6,030
700	700	700	700	700
150	200	250	250	250
0	0	0	0	0
15,830	16,040	16,410	16,580	16,750
1,790	1,800	1,810	1,820	1,830
210	220	230	240	250
400	400	400	400	400
1,080	1,080	1,080	1,080	1,080
1,200	1,200	1,200	1,200	1,200
200	220	230	240	250
200	220	230	240	250
1,600	1,640	1,660	1,680	1,700
50	60	150	60	60
0	1,820	0	2,010	0
1,000	1,000	1,000	1,000	1,000

(continued)

Village of Patterson, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014, Through 2016, Actual
and Ending December 31, 2017, Through 2021, Forecasted
(continued)

General Fund

	2014 Actual	2015 Actual	2016 Actual
Expenditures (continued)			
Other General Government			
Personal Services	\$600	\$569	\$829
Contractual Services	251	227	634
Total Other General Government	<u>851</u>	<u>796</u>	<u>1,463</u>
Total General Government	<u>4,575</u>	<u>5,902</u>	<u>7,519</u>
Total Expenditures	<u>6,653</u>	<u>7,971</u>	<u>9,506</u>
Changes in Fund Balance	(1,622)	5,444	11,835
Revenue from Property Tax Levy - New	0	0	0
Fund Balance (Deficit) Beginning of Year	<u>(9,661)</u>	<u>(11,283)</u>	<u>(5,839)</u>
Fund Balance (Deficit) End of Year	<u><u>(\$11,283)</u></u>	<u><u>(\$5,839)</u></u>	<u><u>\$5,996</u></u>

2017 Forecasted	2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted
\$710	\$720	\$730	\$740	\$750
690	700	710	720	730
1,400	1,420	1,440	1,460	1,480
5,530	7,420	5,730	7,690	5,720
7,530	9,440	7,770	9,750	7,800
8,300	6,600	8,640	6,830	8,950
0	0	730	730	730
5,996	14,296	20,896	30,266	37,826
<u>\$14,296</u>	<u>\$20,896</u>	<u>\$30,266</u>	<u>\$37,826</u>	<u>\$47,506</u>

Village of Patterson, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, Through 2021

Note 1 - The Village

The Village of Patterson is located in north central Ohio in Hardin County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Patterson must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor.

The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Village Council elects a President Pro Tempore to preside over Village Council meetings in the Mayor's absence. The Village Council has the authority to prescribe, by ordinance, the manner in which any power of the Village shall be exercised.

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie.

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, and street lighting.

On May 14, 2013, the Auditor of State's office declared the Village of Patterson to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The Village of Patterson has a population of less than one thousand as of the most recent federal decennial census; therefore, in accordance with Revised Code Section 118.05(L), the Auditor of State serves as financial supervisor of the Village with all of the powers and responsibilities of a financial planning and supervision commission. The Village has 120 days after the first meeting with the financial supervisor to approve a financial recovery plan. Once the plan is adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of September 6, 2017, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of Patterson, this consists of the General Fund.

Village of Patterson, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Village of Patterson, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Note 3 - Summary of Significant Accounting Policies (continued)

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Fund Revenue Assumptions

A. Property Taxes

Property tax revenues consist of real property and public utility real and personal property. The Village may request advances from the Hardin County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2011 for taxes collected in 2012, and the triennial update took place in 2014 for taxes collected in 2015 with the next reappraisal scheduled for 2017.

Village of Patterson, Hardin County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2017, through 2021

Note 4 - General Fund Revenue Assumptions (continued)

The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2013	2014	2015	2016
Real Property				
Residential and Agriculture	\$664,690	\$665,170	\$663,120	\$662,180
Commercial and Industrial	1,300	1,300	1,300	1,300
Public Utility Property				
Personal	63,340	66,280	66,150	67,590
Total Assessed Value	<u>\$729,330</u>	<u>\$732,750</u>	<u>\$730,570</u>	<u>\$731,070</u>

Property tax revenues are generated from the inside millage and receipted into the General Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$1.80

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes.

Real Property - The Village intends to place a one mill levy on the ballot in 2018 which is estimated to generate approximately \$730 annually in tax revenue beginning January 1, 2019. No additional change in real property taxes is expected over the five-year forecasted period as there is no growth anticipated in the Village.

B. Municipal Income Taxes

The Village levies a municipal income tax of 1 percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village does not allow for a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. The Village enacted the income tax in April 2014 so actual receipts for 2014 reflect the first partial year of tax collection. For 2016, actual tax collection was higher due to delinquent tax collections for non-filers and non-payers from 2014 and 2015. The Village forecasts a 2 percent increase in tax revenue based on moderate increases in individual earnings. There are no businesses in the Village. Due to geographical limitations, no growth is expected in the Village.

If the before mentioned one mill property tax levy is approved in 2018, the Village intends to reduce the current income tax rate from one percent to .25 percent. The amount of this reduction in income tax would be \$6,330 for 2019, \$6,460 for 2020, and \$6,590 for 2021.

Village of Patterson, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Note 4 - General Fund Revenue Assumptions (continued)

If the one mill property tax levy is not approved by the voters in 2018, there will be no change in the income tax rate.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback and homestead. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback and homestead are received from the State and are based on information provided by the County Auditor.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. Homestead and rollback receipts have been forecasted to be consistent with the forecasted property tax revenues. A slight increase is expected in 2019 with the anticipated approval of a one mill property tax levy. There is no change expected in the amount of local government monies received from the State.

D. Licenses and Permits

Licenses and permits receipts represent cable franchise fees. The amount collected is expected to remain consistent throughout the forecast period.

E. Interest

Interest receipts are very modest due to low interest rates. A slight increase is forecasted due to an increase in fund balance.

Note 5 - General Fund Expenditure Assumptions

A. Personal Services

Personal services include the salaries paid to the elected Mayor and Village Council, the Fiscal Officer, and the Solicitor. The Village has no employees. Salaries are paid monthly. Personal services also include all salary related costs such as pension contributions, Medicare, and workers' compensation. These amounts are paid from the Other General Government account.

The Village Council consists of six members with an annual salary of \$180. Village Council is paid from the General Fund.

The Mayor's annual salary is \$400 and is paid from the General Fund.

The Fiscal Officer's annual salary is \$1,200 and is paid from the General Fund.

The Solicitor's annual salary is \$1,000 and is paid from the General Fund.

Village of Patterson, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Note 5 - General Fund Expenditure Assumptions (continued)

No increase in salaries is expected throughout the forecast period.

Benefits include employer contributions to the State pension system, workers' compensation, and Medicare. The Village does not provide any other benefits.

Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. OPERS benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent of their annual salary. No council members pay into Social Security.

All elected and appointed officials are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

B. Contractual Services

Contractual services include utility charges, postage, advertising, auditor and treasurer fees, and accounting and auditing services.

Utility costs (street lighting) for 2017 are based on a historical average with less than one percent annual increase throughout the forecast period.

Contractual services for property tax collection fees are expected to increase in 2019 to pay for the 2018 election costs.

Contractual services in Auditor of State fees fluctuate over the forecast period due to the Village being audited every other year.

The Village has contracted with the Regional Income Tax Agency (RITA) for tax collection services. Income tax collection and administration fees with RITA are based on a percentage of income tax collections.

C. Supplies and Materials

Supplies and materials expenditures include office supplies, and repair and maintenance costs. Supplies and materials are anticipated to increase approximately 1 percent per year. In 2016, the Village purchased a laptop computer for the Fiscal Officer.

Village of Patterson, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Note 6 - Other Funds

The Village has several other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 7 - Pending Litigation

The Village currently has no pending litigation.



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.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 14, 2017