



Dave Yost • Auditor of State



VILLAGE OF PATTERSON  
HARDIN COUNTY

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# Dave Yost • Auditor of State

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

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

November 13, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the Village of Patterson, Hardin County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require village's to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

The Village's 2011 and 2010 accounting records and financial statements contain several posting errors, which resulted in fund balances being incorrect in all fund types. The Village has refused to post the audit adjustments to their accounting records and financial statements. In 2011 the General Fund is overstated by \$1,829; the Special Revenue Fund Type is understated by \$95; and the Enterprise Fund Type is understated by \$1,734. In 2010 the General Fund is overstated by \$1,114; the Special Revenue Fund Type is understated by \$48; and the Enterprise Fund Type is understated by \$1,066.

Also, in our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Patterson adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 8 to the financial statements, the Village has suffered recurring losses from operations. Management has developed a plan regarding these losses. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

November 13, 2012



**VILLAGE OF PATTERSON  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$1,362		\$1,362
Intergovernmental	3,055	\$1,127	4,182
Fines, Licenses and Permits	504		504
Earnings on Investments	4	9	13
Miscellaneous	590		590
Total Cash Receipts	<u>5,515</u>	<u>1,136</u>	<u>6,651</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	1,508		1,508
Public Health Services	308		308
Transportation		6,746	6,746
General Government	4,066		4,066
Total Cash Disbursements	<u>5,882</u>	<u>6,746</u>	<u>12,628</u>
Total Receipts (Under) Disbursements	<u>(367)</u>	<u>(5,610)</u>	<u>(5,977)</u>
Fund Cash Balances, January 1	707	6,564	7,271
<b>Fund Cash Balances, December 31:</b>			
Restricted		954	954
Unassigned (Deficit)	<u>340</u>		<u>340</u>
Fund Cash Balances, December 31	<u>\$340</u>	<u>\$954</u>	<u>\$1,294</u>

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

VILLAGE OF PATTERSON  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Sewer Fund</u>
<b>Operating Cash Disbursements:</b>	
Personal Service	\$1,776
Total Cash Disbursements	<u>1,776</u>
<b>Non-Operating Cash Receipts</b>	
Special Assessment	1,444
Total Non-Operating Cash Receipts	<u>1,444</u>
Total Receipts (Under) Disbursements	(332)
Fund Cash Balance, January 1	<u>12,275</u>
Fund Cash Balance, December 31	<u><u>\$11,943</u></u>

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

**VILLAGE OF PATTERSON  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$1,002		\$1,002
Intergovernmental	3,820	\$1,761	5,581
Fines, Licenses and Permits	639		639
Earnings on Investments	8	16	24
Total Cash Receipts	<u>5,469</u>	<u>1,777</u>	<u>7,246</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	1,320		1,320
Public Health Services	422		422
Transportation		3,146	3,146
General Government	3,719		3,719
Total Cash Disbursements	<u>5,461</u>	<u>3,146</u>	<u>8,607</u>
Total Receipts Over / (Under) Disbursements	8	(1,369)	(1,361)
Fund Cash Balances, January 1	<u>699</u>	<u>7,933</u>	<u>8,632</u>
Fund Cash Balances, December 31	<u><u>707</u></u>	<u><u>6,564</u></u>	<u><u>7,271</u></u>

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

VILLAGE OF PATTERSON  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Sewer Fund</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	\$1,083
Total Cash Disbursements	<u>1,083</u>
<b>Non-Operating Cash Receipts:</b>	
Special Assessment	6,140
Total Non-Operating Cash Receipts	<u>6,140</u>
Total Receipts Over Disbursements	5,057
Fund Cash Balance, January 1	<u>7,218</u>
Fund Cash Balance, December 31	<u><u>\$12,275</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, 2011 AND 2010**

**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.

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 the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**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.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**3. Enterprise Funds**

This fund accounts 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:

VILLAGE OF PATTERSON  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Sewer Fund** - This fund receives assessment from residents to pay for the construction of a sewage system as the result of an Environmental Protection Agency mandate.

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. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not use the encumbrance method of accounting which violated Ohio Rev. Code Section 5705.41(D).

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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:

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.

VILLAGE OF PATTERSON  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$13,237</u>	<u>\$19,546</u>

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

**VILLAGE OF PATTERSON  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<b>2011 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 5,500	\$5,515	\$ 15
Special Revenue	1,687	1,136	(551)
Enterprise	6,000	1,444	(4,556)
Total	<u>\$13,187</u>	<u>\$8,095</u>	<u>(\$5,092)</u>

<b>2011 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$5,593	\$5,882	(\$ 289)
Special Revenue	1,300	6,746	(5,446)
Enterprise	1,390	1,776	(386)
Total	<u>\$8,283</u>	<u>\$14,404</u>	<u>(\$6,121)</u>

<b>2010 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$5,327	\$ 5,469	\$ 142
Special Revenue	2,395	1,777	(618)
Enterprise	6,140	6,140	-
Total	<u>\$7,722</u>	<u>\$13,386</u>	<u>\$5,664</u>

<b>2010 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 5,765	\$5,461	\$ 304
Special Revenue	5,345	3,146	2,199
Enterprise	1,090	1,083	7
Total	<u>\$12,200</u>	<u>\$9,690</u>	<u>\$2,510</u>

The Village violated Ohio Rev. Code Section 5705.10 (D) when some restricted receipts were recorded in the wrong fund. Ohio Rev. Code Section 5705.10 (H) was violated when some disbursements were recorded in the wrong fund. Additionally, the Village did not comply with requirements regarding the establishment and collection of fees.

**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.



**VILLAGE OF PATTERSON  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

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

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

**5. 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 plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

**7. 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. The Village is currently collecting assessments from the residents to fund this project.

**8. RECURRING LOSSES**

The Village is experiencing a decline in fund balances. If the necessary audit adjustments for 2011 and 2010 were recorded, the General Fund balance would be negative at December 31, 2011 and 2010. To correct the decline in the fund balances the Village plans to sell all village assets (the village hall, all property and contents of the hall) to raise some money. The Village also plans to suspend the sewer interim charge until the finances are fixed.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of Council:

We have audited the financial statements of the Village of Patterson, Hardin County (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 13, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, adopted the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011, and has suffered recurring losses. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. We also qualified our report as a result of the Village not recording audit adjustments to record receipts and disbursements in the correct funds.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 through 2011-03 described in the accompanying schedule of findings 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, providing an opinion 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 2011-02 through 2011-06.

We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 13, 2012.

We intend this report solely for the information and use of management, the members of Council, and others within the Village. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

November 13, 2012

**VILLAGE OF PATTERSON  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Material Weakness – Accuracy of Financial Reporting**

To assist in the effective management and reporting of financial resources, the Village should have procedures in place to provide that financial transactions are correctly classified in the accounting records and financial statements. The Village's 2011 and 2010 accounting records and financial statements had the following classification errors in the General Fund:

2011

- Homestead and Rollback receipts in the amount of \$274 were recorded as Taxes instead of Intergovernmental Revenue.
- Cable Franchise Fees in the amount of \$504 were recorded as Miscellaneous Revenue instead of Fines, Licenses and Permits.

2010

- Disbursements in the amount of \$180 for utilities were recorded as Basic Utility Services instead of General Government

In addition the Village failed to implement GASB 54. As a result the General Fund had a classification error of \$340 to correctly present the ending balance as unassigned, the Special Revenue Fund type had a classification error of \$954 to correctly present the ending fund balance as restricted, and the notes to the financial statements lacked the required disclosures.

Errors and omissions in the financial statements and notes inhibit the users understanding of the results of operations and may result in the material misstatement of the financial statements. The accompanying financial statements and notes have been adjusted for the errors and omissions identified above.

The Fiscal Officer should utilize resources such as the Village Officers Handbook and other resources found on the Auditor of State website when recording financial transactions and preparing the annual financial statements and notes. Periodically the Members of Council should perform a review of the accounting records to help identify errors and to determine that that records required by Ohio Admin. Code Section 117-2-02(D) are being maintained throughout the year.

**FINDING NUMBER 2011-02**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code, Section 5705.10(D)**, requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

**FINDING NUMBER 2011-02  
(Continued)**

The Village's 2011 accounting records and financial statements contained the following recording errors:

- A \$500 Hardin County Community Foundation Grant was posted to the General Fund. According to the Grant, the money was restricted to use on street signs and snow removal for 2011-2012. Therefore, this grant, along with allowable disbursements in the amount of \$432, should have been recorded in the Special Revenue Street Fund. At December 31, 2011 \$68 of this grant remained in the General Fund.
- Motor vehicle license tax receipts in the amount of \$27 were recorded in the General Fund instead of the Special Revenue Street Fund.

The Village has not made the necessary adjustments to the accounting records or financial statements. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for \$95 and in favor of the Street Fund.

The Fiscal Officer should utilize resources such as the Village Officers Handbook found on the Auditor of State website when recording financial transactions. Periodically Council should perform a review of the accounting records to help identify errors and to help assure that that records required by Ohio Admin. Code Section 117-2-02(D) are being maintained throughout the year.

The Village should consider making the necessary adjustments to the accounting records.

Ohio Rev. Code Section 117.42, states, in part, that upon request of the Auditor of State, the Attorney General may file and prosecute to judgment or decree appropriate actions to secure compliance with adjustments made in audit report. Finding 2011-02 will be referred to the Attorney General.

**FINDING NUMBER 2011-03**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code Section 5705.10 (H)** states money paid into any fund shall be used only for the purposes for which such fund is established.

The Village allocated wages of the Fiscal Officer and Solicitor in the amount of \$1,320 in 2011 and \$1,083 in 2010 to the Enterprise Sewer Fund. Also in 2010, wages for the Fiscal Officer in the amount of \$48 were allocated to the Special Revenue State Highway Fund. The Village did not maintain documentation to support these allocations and as a result the activity should be recorded in the General Fund.

In 2011, personal service disbursements in the amount of \$432 were recorded in the Enterprise Sewer Fund instead of the General Fund. Also, county auditor fees for collecting delinquent sewer fees, in the amount of \$18, were recorded in the General Fund instead of the Enterprise Sewer Fund. In 2010, county auditor fees for collecting delinquent sewer fees, in the amount of \$17, were recorded in the General Fund instead of the Enterprise Sewer Fund.

The Village has not made the necessary adjustments to its accounting records or financial statements. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for \$2,883 and against the Sewer Fund for \$35, and in favor of the General Fund for \$35, the Sewer Fund in the amount of \$2,835, and the State Highway Fund in the amount of \$48.

If the Village plans to allocate wages of the fiscal officer and solicitor to funds other than the General Fund, the Village should maintain documentation supporting the allocation. Disbursements should be recorded in the fund according to the established purpose of the fund. The Fiscal Officer and Members of Council should monitor the financial activity of each fund to help identify recording errors and negative trends that may result in deficit spending so that corrective action can be taken in a timely manner.

**FINDING NUMBER 2011-03  
(Continued)**

The Village should consider making the necessary adjustments to the accounting records.

Ohio Rev. Code Section 117.42, states, in part, that upon request of the Auditor of State, the Attorney General may file and prosecute to judgment or decree appropriate actions to secure compliance with adjustments made in audit report. Finding 2011-02 will be referred to the Attorney General.

**FINDING NUMBER 2011-04**

**Noncompliance Citation**

**Ohio Rev. Code Section 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.

**FINDING NUMBER 2011-04  
(Continued)**

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures in 2011 and 2010, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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.

**FINDING NUMBER 2011-05**

**Noncompliance Citation**

**Village of Patterson Ordinance 2007-003** was passed and established an interim user charge of \$10 per month for each residence, to be billed semi-annually in advance, to pay for the construction of a sewage system. This assessment was the result of an Environmental Protection Agency (EPA) mandate to reduce the amount of waste going into a neighboring creek.

During 2011, the Village did not bill or collect the sewer assessment fee from its residents. As a result the Village lost potentially \$6,600 (55 parcels at \$10 per month for 12 months) of receipts which could result in the inability to meet obligations required to address the EPA mandate.

The Members of Council should monitor the accounting records to help assure the timely billing and collection of sewer assessments. In addition, Council should consult with its Legal representative to determine the appropriate corrective action for the unbilled 2011 assessments.

**FINDING NUMBER 2011-06**

**Noncompliance Citation**

**Ohio Rev. Code Section 727.01**, states, in part, that a municipal corporation may levy a special assessment by, (A) By a percentage of the tax value of the property assessed; (B) In proportion to the benefits that may result from the improvement; (C) By the front foot of the property bounding and abutting upon the improvement.

Village Council Minutes dated October 17, 2007 imposed a charge of \$10 per month for a sewer reserve fund. The Minutes indicated that this charge would be only for lots with dwellings on them. The amount to be charged was arbitrary, as there was no indication as to how the Council determined that \$10 per month was an appropriate charge. Further, the Minutes indicate that there would be a property tax assessment if the payments were not received within 30 days.

The Village did not comply with the requirements of this Ohio Rev. Code Section when it imposed the charge for a sewer reserve fund. The failure to follow the requirements for levying a special assessment may result in a non-binding assessment.

The Village should consult with its Solicitor to help assure that the sewer reserve fund special assessment is properly levied.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



**VILLAGE OF PATTERSON  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Classification of Revenues	No	Repeated at Finding 2011-01
2009-002	Ohio Rev. Code Section 5705.41(D) – expenditures were not certified prior to obligation	No	Repeated as Finding 2011-04

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# 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  
DECEMBER 11, 2012