



Mary Taylor, CPA
Auditor of State

VILLAGE OF PATTERSON
HARDIN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Patterson
Hardin County
208 S. Warner
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 14, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Patterson
Hardin County
208 S. Warner
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, 2009 and 2008. 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 villages 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combine fund cash balances of the Village of Patterson, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2010, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 14, 2010

**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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$1,034		\$1,034
Intergovernmental	3,771	\$2,052	5,823
Fines, Licenses and Permits	751		751
Earnings on Investments	10	21	31
Miscellaneous	16	11	27
Total Cash Receipts	<u>5,582</u>	<u>2,084</u>	<u>7,666</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,250		1,250
Public Health Services	435		435
Transportation		1,142	1,142
General Government	4,183		4,183
Total Cash Disbursements	<u>5,868</u>	<u>1,142</u>	<u>7,010</u>
Total Receipts Over/(Under) Disbursements	(286)	942	656
Fund Cash Balances, January 1	<u>987</u>	<u>6,991</u>	<u>7,978</u>
Fund Cash Balances, December 31	<u><u>\$701</u></u>	<u><u>\$7,933</u></u>	<u><u>\$8,634</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

Non-Operating Cash Receipts:

Special Assessment	<u>\$4,108</u>
Total Non-Operating Cash Receipts	<u>4,108</u>
Fund Cash Balance, January 1	<u>3,110</u>
Fund Cash Balance, December 31	<u><u>\$7,218</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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$1,046		\$1,046
Intergovernmental	5,574	\$2,416	7,990
Fines, Licenses and Permits	615		615
Earnings on Investments	33	93	126
Miscellaneous	282		282
Total Cash Receipts	<u>7,550</u>	<u>2,509</u>	<u>10,059</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	700		700
Public Health Services	410		410
Basic Utility Services	167		167
Transportation		991	991
General Government	7,715	1,124	8,839
Total Cash Disbursements	<u>8,992</u>	<u>2,115</u>	<u>11,107</u>
Total Receipts Over/(Under) Disbursements	(1,442)	394	(1,048)
Fund Cash Balances, January 1	<u>2,429</u>	<u>6,597</u>	<u>9,026</u>
Fund Cash Balances, December 31	<u>\$987</u>	<u>\$6,991</u>	<u>\$7,978</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

Non-Operating Cash Receipts:	
Special Assessment	\$3,110
Total Non-Operating Cash Receipts	<u>3,110</u>
Fund Cash Balance, January 1	<u> </u>
Fund Cash Balance, December 31	<u><u>\$3,110</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, 2009 AND 2008**

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 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 tax money for constructing, maintain, and repairing Village streets.

3. Enterprise Funds

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

Sewer Fund - This fund receives sewer assessment from residents to cover future sewer costs.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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 all money in deposits. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$15,852	\$11,088

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

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 6,139	\$ 5,582	(\$557)
Special Revenue Fund	2,880	2,084	(796)
Enterprise Fund	6,000	4,108	(1,892)
	<u>\$15,019</u>	<u>\$11,774</u>	<u>(\$3,245)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$6,510	\$5,868	\$642
Special Revenue Fund	3,045	1,142	1,903
	<u>\$9,555</u>	<u>\$7,010</u>	<u>\$2,545</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 7,555	\$ 7,550	(\$5)
Special Revenue Fund	3,100	2,509	(591)
Enterprise Fund		3,110	3,110
	<u>\$10,655</u>	<u>\$13,169</u>	<u>\$2,514</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 8,210	\$ 8,992	(\$782)
Special Revenue Fund	2,920	2,115	805
	<u>\$11,130</u>	<u>\$11,107</u>	<u>\$ 23</u>

4. PROPERTY TAX

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

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

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.

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. RETIREMENT SYSTEM

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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed participants contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participant's gross salaries. The Village has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

7. SUBSEQUENT EVENTS

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.



Mary Taylor, CPA

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
208 S. Warner
Forest, Ohio 45843

To the Village 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, 2009 and 2008, and have issued our report thereon dated June 14, 2010, 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. 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*.

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 opinions 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2009-002.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 14, 2010.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 14, 2010

**VILLAGE OF PATTERSON
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

Classification of Revenues

The Village should have procedures in place to help assure that revenues are correctly classified in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The Village's 2009 and 2008 accounting records and financial statements had revenue classification errors in the amount of \$1,039 and \$2,133 in the General Fund, respectively. The classification errors consisted of the recording of franchise fees as miscellaneous revenue instead of fines, licenses; permits revenue; the recording of a grant revenue as miscellaneous revenue instead of intergovernmental revenue; and the recording of homestead and roll-back revenue and personal property tax reimbursement revenue as tax revenue instead of intergovernmental revenue.

The failure to correctly classify revenue in the financial statements and accounting records may impact the user's understanding of the financial operations, may inhibit the Village's ability to make sound financial decisions, and may result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to reflect revenue in the correct line item.

The Village Fiscal Officer should review the Village Officer's Handbook and Auditor of State Audit Bulletins for guidance in the recording of revenues. The Village's Fiscal Officer and Council should also perform a periodic review of the financial records to help identify revenue recording errors.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or is 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.

FINDING NUMBER 2009-002
(Continued)

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.

The Village did not certify the availability of funds for any of the expenditures in 2009 and 2008. Failure to properly certify the availability of funds may result in the Village incurring obligations in excess of appropriations and possibly available resources. 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.

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 District. When prior certification is not possible, “then and now” certification should be used.

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, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain</i>
2007-01	Maintaining Supporting Documentation for Expenditures and the Adoption of a Policy for the Purchase of Amenities	Yes	
2007-002	Classification of Revenues	No	Repeated as Finding 2009-001
2007-003	Ohio Rev. Code Section 5705.41(D) – expenditures were not certified prior to obligation	No	Repeated as Finding 2009-002



Mary Taylor, CPA
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
JULY 27, 2010