



Dave Yost • Auditor of State

**Village of Patterson
Hardin County**

**Fiscal Emergency Analysis
As of December 31, 2012 and January 31, 2013**

Local Government Services

Village of Patterson, Hardin County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Patterson pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of Patterson as defined in Sections 118.03(A)(4), 118.03(A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Kathleen Cain, Fiscal Officer of the Village of Patterson; Jason Kearns, Mayor of the Village of Patterson; Sally Kauble, President Pro Tempore of Council of the Village of Patterson; John Kasich, Governor; Timothy S. Keen, Director of the Office of Budget and Management; Jon Husted, Secretary of State; Josh Mandel, Treasurer of State; and Michael T. Bacon, Secretary of the Hardin County Budget Commission.

"

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

DAVE YOST
Auditor of State

May 14, 2013

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Jason Kearns requested that a fiscal analysis be performed by the Auditor of State for the Village of Patterson, Hardin County (the Village). The purpose of the analysis was to determine if the financial condition of the Village justifies the declaration of a fiscal watch or fiscal emergency.

A village is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on any debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the village which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in village funds; and 6) a sizeable deficiency in the village's treasury when the balance is compared to the positive cash balances of the village's funds.

The existence of the conditions described under Conditions four, five, and six of this report at year-end do not constitute a basis for the declaration of fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State that the conditions no longer exist at the time of the determination. The Village has not requested that the determination be delayed nor made a substantial showing that it has taken steps to remove the conditions.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2012 and January 31, 2013, the date of determination.

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio 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.

The Village had no debt outstanding as of January 31, 2013.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The Village had no debt outstanding as of January 31, 2013.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Ohio 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, county, or township 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
- 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.

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We reviewed the payroll records of the Village as of January 31, 2013. We had a discussion with the Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and cancelled checks to determine whether Village employees had been paid within the time specified by Section 118.03(A)(2) of the Ohio Revised Code. We determined there was cash in the bank and sufficient fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of January 31, 2013. All employees have been paid in amounts and at the times required by Village ordinance.

Condition Three - Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio 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, county, or township 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 Ohio Revised Code, in the minimum levy of the Village for 2013 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 Budget Commission had not taken any action to increase the inside millage of the Village for 2012 or 2013.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of January 31, 2013. The Hardin County Budget Commission has not taken any action to increase the inside millage of the Village, thus reducing another subdivision's inside millage.

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

Section 118.03(A)(4) of the Ohio 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 that 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, county, or township and that either had been due and payable for at least thirty days as of 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 the 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. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

Village of Patterson, Hardin County

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We prepared a schedule of accounts payable as of December 31, 2012, that were due from the general fund and from 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, 2012, 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. Only the general fund had payables that were more than thirty days past due. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2012

Fund	Payables Over 30 Days Past Due	General Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Budget	Accounts Payable in Excess of Budget
General	\$2,722	\$0	\$2,722	\$786	(\$1,936)

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described in Division (A)(4) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all accounts payable past due for sixty days or subject to penalty, as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(4) of this section, held for the general fund or those respective special funds that are lawfully available to pay such accounts.

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least sixty days past due or to which a penalty was added as of January 31, 2013. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills.

Schedule II

All Funds Accounts Payable Over 60 Days Past Due
Ohio Revised Code Section 118.03(B)
As of January 31, 2013

Fund	Payables Over 60 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Budget	Accounts Payable in Excess of Budget
General	\$2,653	\$0	\$2,653	\$699	(\$1,954)

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Fiscal Emergency Analysis

Conclusion: Schedules I and II indicate that as of December 31, 2012 and January 31, 2013, a fiscal emergency condition exists under Section 118.03(A)(4) and 118.03(B) of the Ohio Revised Code. Accounts payable from all funds which were at least thirty days past due at December 31, 2012, and at least sixty days past due as of January 31, 2013, exceeded available fund balances. The amount that exceeded available fund balances was at least one-sixth of the General Fund budget.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Ohio 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 as of December 31, 2012, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule III

Deficit Fund Balance						
Ohio Revised Code Section 118.03(A)(5)						
As of December 31, 2012						
Fund	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth Fund Budget	Unprovided Portion of Aggregate Deficit	
General	(\$1,548)	(\$2,722)	(\$4,270)	\$786	(\$3,484)	

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account the positive balances at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

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Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of January 31, 2013, by subtracting all accounts payable and encumbrances from the month-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule IV

Deficit Fund Balance
Ohio Revised Code Section 118.03(B)
As of January 31, 2013

Fund	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth Fund Budget	Unprovided Portion of Aggregate Deficit
General	(\$1,967)	(\$2,653)	(\$4,620)	\$699	(\$3,921)

Conclusion: Schedules III and IV indicate that a fiscal emergency condition exists under Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2012 and January 31, 2013, respectively. The total unprovided portion of the aggregate deficit funds as of December 31, 2012 and January 31, 2013, is \$3,484 and \$3,921, respectively.

Condition Six - Treasury Deficiency

Section 118.03(A)(6) of the Ohio 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, county, or township, 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.

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described in division (A)(6) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(6) of this section, held to meet such positive balances.

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We verified the Village’s reconciled bank balance to its statement of cash position for all funds as of December 31, 2012, and as of January 31, 2013, 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. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2012 and the estimated amount to be received into the treasury during 2013 to determine if a treasury deficiency exists.

Schedule V

Treasury Balances
Ohio Revised Code Section 118.03(A)(6) and 118.03(B)
as of December 31, 2012, and January 31, 2013

	Amounts at December 31, 2012	Amounts at January 31, 2013
Bank Cash Balance		
Community First Bank - General Checking	\$15,162	\$14,971
Less Reconciling Factors for		
Other Adjustments	546	547
Outstanding Checks	(6)	(117)
Total Treasury Balance	<u>14,610</u>	<u>14,307</u>
Positive Cash Fund Balances		
Street Construction	1,896	2,003
State Highway	662	671
Sewer	13,600	13,600
Total Positive Cash Fund Balances	<u>16,158</u>	<u>16,274</u>
Treasury Deficit	(1,548)	(1,967)
One-sixth of Treasury Receipts	1,347	931
Treasury Deficiency	<u><u>(\$201)</u></u>	<u><u>(\$1,036)</u></u>

Conclusion: Schedule V indicates that a fiscal emergency condition exists under Section 118.03(A)(6) and 118.03(B) of the Ohio Revised Code. The treasury deficit exceeded one-sixth of the treasury receipts at December 31, 2012 and January 31, 2013, by \$201 and \$1,036, respectively.

Summary

A fiscal emergency is the existence of at least one of the conditions defined above. This analysis indicates that a fiscal emergency exists at the Village of Patterson as defined in Sections 118.03(A)(4), 118.03(A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code as presented in Schedules I, II, III, IV, and V above as of December 31, 2012, and January 31, 2013.

Because the above 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.

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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
MAY 14, 2013