



Dave Yost • Auditor of State

VILLAGE OF CONTINENTAL
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Continental
Putnam County
P.O. Box 447
Continental, Ohio 45831-0447

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Continental, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof or cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Continental, Putnam County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Columbus, Ohio

January 27, 2017

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VILLAGE OF CONTINENTAL
PUTNAM COUNTY

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$74,627	\$111,773			\$186,400
Municipal Income Tax	162,559				162,559
Intergovernmental	61,947	83,351			145,298
Charges for Services	64,178		\$49,185		113,363
Fines, Licenses and Permits	3,488	980			4,468
Earnings on Investments	133				133
Miscellaneous	211,714	305			212,019
<i>Total Cash Receipts</i>	<u>578,646</u>	<u>196,409</u>	<u>49,185</u>		<u>824,240</u>
Cash Disbursements					
Current:					
Security of Persons and Property	298,775	109,106			407,881
Basic Utility Services	7,141				7,141
Transportation		112,366			112,366
General Government	153,601	3,277			156,878
Capital Outlay		43,072			43,072
Debt Service:					
Principal Retirement	3,057	9,260	17,931		30,248
Interest and Other Fiscal Charges	221	810	17,069		18,100
<i>Total Cash Disbursements</i>	<u>462,795</u>	<u>277,891</u>	<u>35,000</u>		<u>775,686</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>115,851</u>	<u>(81,482)</u>	<u>14,185</u>		<u>48,554</u>
Other Financing Receipts (Disbursements)					
Transfer In		100,000			100,000
Transfers Out	(100,000)				(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100,000)</u>	<u>100,000</u>			
<i>Net Change in Fund Cash Balances</i>	15,851	18,518	14,185		48,554
<i>Fund Cash Balances, January 1</i>	<u>490,761</u>	<u>122,082</u>	<u>46,660</u>	<u>\$1,929</u>	<u>661,432</u>
Fund Cash Balances, December 31					
Restricted		140,600	60,845	1,929	203,374
Assigned	204,775				204,775
Unassigned	301,837				301,837
<i>Fund Cash Balances, December 31</i>	<u>\$506,612</u>	<u>\$140,600</u>	<u>\$60,845</u>	<u>\$1,929</u>	<u>\$709,986</u>

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$328,448
 Operating Cash Disbursements	
Personal Services	66,464
Transportation	30,047
Contractual Services	77,541
Supplies and Materials	35,473
Other	2,381
 <i>Total Operating Cash Disbursements</i>	 211,906
 <i>Operating Income</i>	 116,542
 Non-Operating Disbursements	
Capital Outlay	(20,000)
Principal Retirement	(78,763)
Interest and Other Fiscal Charges	(704)
 <i>Total Non-Operating Disbursements</i>	 (99,467)
 <i>Net Change in Fund Cash Balances</i>	 17,075
 <i>Fund Cash Balances, January 1</i>	 419,689
 <i>Fund Cash Balances, December 31</i>	 \$436,764

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$69,037	\$104,029			\$173,066
Municipal Income Tax	162,808				162,808
Intergovernmental	55,966	113,476			169,442
Charges for Services	47,800		\$40,000		87,800
Fines, Licenses and Permits	3,301	155			3,456
Earnings on Investments	102	6			108
Miscellaneous	29,435	23,580			53,015
<i>Total Cash Receipts</i>	<u>368,449</u>	<u>241,246</u>	<u>40,000</u>		<u>649,695</u>
Cash Disbursements					
Current:					
Security of Persons and Property	48,330	111,406			159,736
Basic Utility Services	7,670				7,670
Transportation		106,411			106,411
General Government	138,900	3,531			142,431
Capital Outlay	1,274	105,687			106,961
Debt Service:					
Principal Retirement	2,974	6,984	63,214		73,172
Interest and Other Fiscal Charges	304	719	18,658		19,681
<i>Total Cash Disbursements</i>	<u>199,452</u>	<u>334,738</u>	<u>81,872</u>		<u>616,062</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>168,997</u>	<u>(93,492)</u>	<u>(41,872)</u>		<u>33,633</u>
Other Financing Receipts (Disbursements)					
Proceeds of Loans		18,810			18,810
Transfer In		75,000			75,000
Transfers Out	(75,000)				(75,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(75,000)</u>	<u>93,810</u>			<u>18,810</u>
<i>Net Change in Fund Cash Balances</i>	93,997	318	(41,872)		52,443
<i>Fund Cash Balances, January 1</i>	<u>396,764</u>	<u>121,764</u>	<u>88,532</u>	<u>\$1,929</u>	<u>608,989</u>
Fund Cash Balances, December 31					
Restricted		122,082	46,660	1,929	170,671
Assigned	178,387				178,387
Unassigned	312,374				312,374
<i>Fund Cash Balances, December 31</i>	<u>\$490,761</u>	<u>\$122,082</u>	<u>\$46,660</u>	<u>\$1,929</u>	<u>\$661,432</u>

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$351,321		\$351,321
Miscellaneous	149		149
<i>Total Operating Cash Receipts</i>	<u>351,470</u>		<u>351,470</u>
Operating Cash Disbursements			
Personal Services	55,242		55,242
Transportation	15,599		15,599
Contractual Services	99,097		99,097
Supplies and Materials	29,921		29,921
Other	2,522	\$5,228	7,750
<i>Total Operating Cash Disbursements</i>	<u>202,381</u>	<u>5,228</u>	<u>207,609</u>
<i>Operating Income</i>	<u>149,089</u>		<u>143,861</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	633,796		633,796
Miscellaneous Receipts	2,280	5,228	7,508
Capital Outlay	(616,991)		(616,991)
Principal Retirement	(52,383)		(52,383)
Interest and Other Fiscal Charges	(565)		(565)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,863)</u>		<u>(28,635)</u>
<i>Net Change in Fund Cash Balances</i>	115,226		115,226
<i>Fund Cash Balances, January 1</i>	<u>304,463</u>		<u>304,463</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$419,689</u></u>		<u><u>\$419,689</u></u>

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Continental, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Village Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Fund – This fund receives property taxes for the providing police services to residents of the Village

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Fire Station Note Retirement Fund – This fund receives contributions from Monroe and Perry Townships to repay a loan taken out by the Village for the construction of a new fire station.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Sanitary Sewer Improvement Fund – This fund was used for grant funds from the State received and spent on behalf of the Village to help with the costs of a sanitary sewer project. Village did not expend monies from this fund during the year; however, it still has a balance

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

Fire Claim Fund: This fund accounts for insurance company deposits for private property damaged by fire within the Village. These receipts are to be released to the property owner when they have satisfactorily demolished or repaired the building or other structure involved in the fire damage claim if the Village has not incurred any costs for demolition or repairs of the building or other structures.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$1,132,932	\$1,067,317
Star Ohio	13,818	13,804
Total deposits and investments	\$1,146,750	\$1,081,121

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$578,842	\$578,646	(\$196)
Special Revenue	305,651	296,409	(9,242)
Debt Service	49,185	49,185	0
Enterprise	328,460	328,448	(12)
Total	\$1,262,138	\$1,252,688	(\$9,450)

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

3. BUDGETARY ACTIVITY – (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$748,305	\$576,280	\$172,025
Special Revenue	293,915	288,298	5,617
Debt Service	47,010	35,000	12,010
Capital Projects	1,929		1,929
Enterprise	431,560	318,244	113,316
Total	<u>\$1,522,719</u>	<u>\$1,217,822</u>	<u>\$304,897</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$380,553	\$368,449	(\$12,104)
Special Revenue	365,307	335,056	(30,251)
Debt Service	52,000	40,000	(12,000)
Capital Projects	995		(995)
Enterprise	990,616	987,546	(3,070)
Total	<u>\$1,789,471</u>	<u>\$1,731,051</u>	<u>(\$58,420)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$435,891	\$279,696	\$156,195
Special Revenue	401,338	337,908	63,430
Debt Service	83,012	81,872	1,140
Capital Projects	1,929		1,929
Enterprise	1,057,324	881,920	175,404
Total	<u>\$1,979,494</u>	<u>\$1,581,396</u>	<u>\$398,098</u>

Contrary to Ohio Law, in 2014, disbursements exceeded appropriations in the Street Construction and Maintenance Fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village 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.

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

4. PROPERTY TAX – (Continued)

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Fire Station Loan	\$364,276	4.46%
Consolidated Loan	\$23,900	2.75%
2015 Pick-Up Truck Loan	\$27,842	2.90%
Ohio Public Works Commission Loan CM02B	15,484	0.00%
Ohio Public Works Commission Loan CM09A	5,479	0.00%
Ohio Public Works Commission Loan CT42E	4,531	0.00%
Ohio Public Works Commission Loan CM10H	17,767	0.00%
Ohio Public Works Commission Loan CM08N	6,594	0.00%
Ohio Public Works Commission Loan CT38O	1,020,856	0.00%
Ohio Water Development Authority Loan 5669	124,184	0.00%
Ohio Water Development Authority Loan 6342	328,457	0.00%
Total	\$1,939,369	

The Fire Station Loan was obtained in 2006 to replace the 2004 Fire Station Construction Loan which was used to construct a new Fire Station for the Village. The loan is being repaid in semi-annual payments of \$17,500 of principal and interest over 25 years beginning in 2006.

The Consolidated Loan was issued in 2012. The Village rolled two notes for the backhoe and truck, and included a land purchase, into one note. The loan is being repaid in monthly payments of \$1,025 of principal and accrued interest over 5 years beginning in 2012.

The 2015 Pick-Up Loan was issued in 2014 and is being repaid in monthly payments of \$683 of principal and interest over 5 years.

The Ohio Public Works Commission (OPWC) loan CM02B (1998) was for the construction and installation of new sanitary sewers and storm sewers. The loan is being repaid in semiannual principal installments of \$2,212 over 20 years beginning in 1999.

The Ohio Public Works Commission (OPWC) loan CM09A water treatment loan was obtained for the construction of a new well and the upgrade of waterlines on Third and Fourth Streets. The loan is being repaid in semiannual principal installments of \$913 over 20 years beginning in 1999.

The Ohio Public Works Commission (OPWC) loan CT42E various street projects loan was obtained for the maintenance of various streets within the Village. The loan is being repaid in semiannual principal installments of \$324 over 20 years beginning in 2003.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

6. DEBT – (Continued)

The Ohio Public Works Commission (OPWC) loan CM10H (2005) was obtained for storm sewer improvements within the village. The loan is being repaid in semiannual principal installments of \$846 over 20 years beginning in 2006.

The Ohio Public Works Commission (OPWC) loan CM08N Lakeland loan was obtained for sanitary sewer improvements for Lakeland/Lake Place/County Road E within the Village. The loan is being repaid in semiannual principal installments of \$213 over 20 years beginning in 2011.

The Ohio Public Works Commission (OPWC) loan CT38O wastewater treatment lagoon was obtained for the construction of a new wastewater treatment lagoon. The original loan amount authorized from OPWC to the Village for this project was \$2,032,750. The loan was closed in October 2014 resulting in a balance of \$1,074,585. The loan is being repaid in semiannual principal installments of \$17,910 over 30 years beginning in 2014.

The Ohio Water Development Authority (OWDA) waterline loan #5669 was obtained for the waterline replacement in the Village. The loan is being repaid in semiannual principal installments of \$4,237 over 20 years beginning 2011. The project is complete and the loan was closed in 2015.

The Ohio Water Development Authority (OWDA) wastewater treatment plant loan #6342 was obtained for the repayment of OWDA planning loans #4731 and #4983 and for the construction of the new wastewater treatment plant. OWDA authorized the loan amount of \$449,117; the Village has received \$321,140 in loan proceeds as of December 31, 2015. Payment on the loan began on July 1, 2014 and was scheduled for 20 years. The project is complete and the loan is in process of being closed. A final amortization schedule is unavailable and therefore an estimated schedule is in use. At this time the final payment is estimated to be January 1, 2034.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loans	OWDA Loans	Fire Station	Consolidated	Pick-Up Truck	Total
2016	\$44,835	\$28,003	\$35,000	\$12,296	\$8,195	\$128,329
2017	44,835	30,930	35,000	12,296	8,195	131,256
2018	44,834	30,930	35,000		8,195	118,959
2019	40,796	30,930	35,000		4,781	111,507
2020	39,584	30,930	35,000			105,514
2021-2025	190,980	154,650	175,000			520,630
2026-2030	182,071	146,268	146,740			475,079
2031-2035	179,310					179,310
2036-2040	179,098					179,098
2041-2044	125,368					125,368
Total	<u>\$1,071,711</u>	<u>\$452,641</u>	<u>\$496,740</u>	<u>\$24,592</u>	<u>\$29,366</u>	<u>\$2,075,050</u>

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 11.25% of their wages from January 1, 2015 to June 30, 2015 and 12.25% from July 1, 2015 to December 31, 2015. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

8. RISK MANAGEMENT – (Continued)

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. MISCELLANEOUS REVENUES

During 2014 and 2015, miscellaneous revenues in the General Fund included various donations/contributions; reimbursements for health insurance; refunds from the Ohio Public Employees Retirement System (OPERS) and Ohio Bureau of Workers Compensation (OBWC); company payments for Village mowing property; and payment from Sons of American Legion for fall festival cleanup.

During 2014, miscellaneous revenues in the Special Revenue funds included payments for damage to Village property; pavement of an alley; and snow removal. In addition, there was a refund from Ohio Bureau of Workers Compensation (OBWC).

During 2014, miscellaneous revenues in the Agency fund consisted of an insurance payment for the removal of a house within the Village which was destroyed by fire.

10. SUBSEQUENT EVENTS

In May 2016, the Village was awarded \$30,000 of Community Development Block Grant (CDBG) monies for the Sixth Street Improvement and Resurfacing Project.

In September 2016, the Village received \$31,927 of Issue II grant monies for the Forrest Street Waterline Improvement Project. This was later reduced to \$27,312 in November 2016.

In November 2016, the Village received \$40,330 of Community Development Block Grant (CDBG) monies for the Sugar Street Project.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Continental
Putnam County
P.O. Box 447
Continental, Ohio 45831-0447

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Continental, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 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, opining 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2017

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As of December 31, 2014, the Special Revenue Street Construction, Maintenance, and Repair Fund had disbursements of \$148,675, which exceed appropriations of \$110,784 by \$37,891.

Management did not sufficiently monitor budget versus actual reports to ensure disbursements did not exceed Council approved appropriations. Expenditures in excess of appropriations may result in deficit spending.

We recommend expenditures and appropriations be periodically reviewed by the Council and the Fiscal Officer to reduce the possibility of expenditures exceeding appropriations.

FINDING NUMBER 2015-002

Material Weakness - Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the General Fund as it is the only fund with a positive unassigned fund balance.

Although the Village implemented GASB No. 54, the Fiscal Officer did not classify the fund balance correctly in the General Fund to report the excess of appropriations over estimated receipts for the subsequent year and encumbrances at year end as assigned fund balance. In 2015 and 2014, unassigned fund balance was understated and assigned fund balance was overstated by \$204,775 and \$178,387, respectively. The financial statements were adjusted to correct these errors.

These errors occurred as a result of management's lack of understanding of the proper classification of fund balances in accordance with GASB 54.

In order to help ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material weakness over monitoring of financial transactions.	Partially corrected. Reissued in the management letter.	This comment was reissued primarily due to the Village having three fiscal officers in office during 2014. The current Fiscal Officer was new in 2014. The Fiscal Officer will review prior audit report, reclassifications, and Village Handbook to ensure proper postings in future.
2013-002	Material weakness over estimated revenue postings.	Partially corrected. Reissued in the management letter.	This comment was reissued primarily due to the Village having three fiscal officers in office during 2014. The current Fiscal Officer was new in 2014. The Fiscal Officer will periodically reconcile approved estimated revenues to estimated revenues posted in the revenue ledger.
2013-003	Material weakness and material noncompliance on Ohio Rev. Code § 5705.40 for not properly posting approved appropriations.	Partially corrected. Reissued in the management letter as a recommendation.	This comment was reissued primarily due to the Village having three fiscal officers in office during 2014. The current Fiscal Officer was new in 2014. The Fiscal Officer will periodically reconcile approved appropriations to appropriations posted in the revenue ledger.
2013-004	Material noncompliance on Ohio Rev. Code § 5705.41(B) for disbursements exceeding appropriations.	Not corrected. Reissued as finding 2015-001 in this report.	This comment was reissued primarily due to the Village having three fiscal officers in office during 2014 audit period. The current Fiscal Officer was new in 2014. The Fiscal Officer will compare budget information to actual disbursements to ensure compliance.



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VILLAGE OF CONTINENTAL

PUTNAM 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
FEBRUARY 23, 2017