



**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF CONTINENTAL  
PUTNAM COUNTY

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**Mary Taylor, CPA**  
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Continental, Putnam County, (the Village) as of and for the year then ended December 31, 2007, following Ohio Administrative Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 29, 2008

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | <u>Governmental Fund Types</u> |                            |                         |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>                               |                                |                            |                         |                             |   |
| Property and Local Taxes                            | \$80,082                       | \$83,483                   |                         |                             | \$163,565                               |
| Intergovernmental                                   | 177,023                        | 106,325                    |                         | \$220,604                   | 503,952                                 |
| Charges for Services                                | 51,377                         | 1,320                      | \$38,807                |                             | 91,504                                  |
| Fines, Licenses and Permits                         | 4,345                          | 20                         |                         |                             | 4,365                                   |
| Earnings on Investments                             | 1,818                          | 3                          |                         |                             | 1,821                                   |
| Contributions and Donations                         | 75,000                         |                            |                         |                             | 75,000                                  |
| Miscellaneous                                       | 2,752                          | 804                        |                         |                             | 3,556                                   |
|   | <u>392,397</u>                 | <u>191,955</u>             | <u>38,807</u>           | <u>220,604</u>              | <u>843,763</u>                          |
| <b>Total Cash Receipts</b>                          |                                |                            |                         |                             |   |
| <b>Cash Disbursements:</b>                          |                                |                            |                         |                             |   |
| Current:  |                                |                            |                         |                             |   |
| Security of Persons and Property                    | 105,043                        | 89,340                     |                         |                             | 194,383                                 |
| Basic Utility Service                               | 21,680                         |                            |                         |                             | 21,680                                  |
| Transportation                                      | 22,289                         | 75,344                     |                         |                             | 97,633                                  |
| General Government                                  | 101,909                        | 2,307                      |                         |                             | 104,216                                 |
| Debt Service:                                       |                                |                            |                         |                             |   |
| Redemption of Principal                             |                                | 1,341                      | 9,559                   |                             | 10,900                                  |
| Interest and Fiscal Charges                         |                                | 2,097                      | 25,441                  |                             | 27,538                                  |
| Capital Outlay                                      | 750                            | 46,820                     |                         | 220,604                     | 268,174                                 |
|   | <u>251,671</u>                 | <u>217,249</u>             | <u>35,000</u>           | <u>220,604</u>              | <u>724,524</u>                          |
| <b>Total Cash Disbursements</b>                     |                                |                            |                         |                             |   |
| Total Cash Receipts Over/(Under) Cash Disbursements | 140,726                        | (25,294)                   | 3,807                   |                             | 119,239                                 |
| Fund Cash Balances, January 1                       | 72,407                         | 25,114                     | 36,175                  | (88,263)                    | 45,433                                  |
| <b>Fund Cash Balances, December 31</b>              | <u><u>\$213,133</u></u>        | <u><u>(\$180)</u></u>      | <u><u>\$39,982</u></u>  | <u><u>(\$88,263)</u></u>    | <u><u>\$164,672</u></u>                 |

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

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|  | <b>Proprietary<br/>Fund Type</b> |
|--|----------------------------------|
|  | <b>Enterprise</b>                |
| <b>Operating Cash Receipts:</b>          |                                  |
| Charges for Services                     | \$291,854                        |
| <b>Operating Cash Disbursements:</b>     |                                  |
| Personal Services                        | 57,492                           |
| Employee Fringe Benefits                 | 23,266                           |
| Contractual Services                     | 81,916                           |
| Supplies and Materials                   | 60,326                           |
| Other                                    | 4,097                            |
| Total Operating Cash Disbursements       | 227,097                          |
| Operating Income                         | 64,757                           |
| <b>Non-Operating Cash Receipts:</b>      |                                  |
| Property and Other Local Taxes           | 7,910                            |
| Special Assessments                      | 5,275                            |
| Earnings on Investments                  | 90                               |
| Miscellaneous Receipts                   | 459                              |
| Total Non-Operating Cash Receipts        | 13,734                           |
| <b>Non-Operating Cash Disbursements:</b> |                                  |
| Capital Outlay                           | 32,444                           |
| Redemption of Principal                  | 89,427                           |
| Interest and Other Fiscal Charges        | 4,403                            |
| Total Non-Operating Cash Disbursements   | 126,274                          |
| Net Disbursements Over Receipts          | (47,783)                         |
| Fund Cash Balances, January 1            | 313,027                          |
| <b>Fund Cash Balances, December 31</b>   | <b>\$265,244</b>                 |

*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, 2007**

**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 Council directs the Village. The Village provides water and sewer utilities, fire protection, and police services.

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. Cash 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 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) restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:



**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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

Permissive Sales Tax Fund – This fund receives license tax money from the State and County Auditor for construction, maintaining and repairing Village streets.

Police Fund – This fund receives tax monies to fund police services.

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. 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 receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Lakeland Pump Station and Street Fund – This fund was established to pay for the construction of a pump station.

**5. Enterprise Funds**

These funds account for operations 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.

**E. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**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 reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 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.

**G. 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 CASH AND INVESTMENTS**

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

|                                |                         |
|--------------------------------|-------------------------|
|                                | <u>2007</u>             |
| Demand deposits                | \$416,536               |
| STAR Ohio                      | 13,380                  |
| Total deposits and investments | <u><u>\$429,916</u></u> |

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

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS – (CONTINUED)**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2007 follows:

| 2007 Budgeted vs. Actual Receipts |                      |                    |               |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance      |
| General                           | \$2,350,040          | \$392,397          | (\$1,957,643) |
| Special Revenue                   | 223,894              | 191,955            | (31,939)      |
| Debt Service                      | 40,000               | 38,807             | (1,193)       |
| Capital Projects                  |                      | 220,604            | 220,604       |
| Enterprise                        | 295,700              | 305,588            | 9,888         |
| Total                             | \$2,909,634          | \$1,149,351        | (\$1,760,283) |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$245,465                  | \$251,671                 | (\$6,206)   |
| Special Revenue                                       | 214,406                    | 217,249                   | (2,843)     |
| Debt Service  | 35,000                     | 35,000                    |             |
| Capital Projects                                      |                            | 220,604                   | (220,604)   |
| Enterprise  | 318,663                    | 353,371                   | (34,708)    |
| Total   | \$813,534                  | \$1,077,895               | (\$264,361) |

**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.

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.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2007, was as follows:

|  | <u>Principal</u>        | <u>Interest Rate</u> |
|--|-------------------------|----------------------|
| Fire Station Note                                      | \$475,180               | 5.20%                |
| Backhoe Note   | 42,495                  | 5.95%                |
| Ohio Public Works Commission - Various Street Projects | 10,033                  | 0.00%                |
| Ohio Public Works Commission - Water                   | 21,002                  | 0.00%                |
| Ohio Public Works Commission - Sewer (1998)            | 53,087                  | 0.00%                |
| Ohio Public Works Commission - Sewer (2005)            | 32,150                  | 0.00%                |
| Total  | <u><u>\$633,947</u></u> |                      |

The Fire Station Note 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 semiannual payments of \$17,500 of principal plus accrued interest over 25 years beginning in 2006.

The Backhoe Note was obtained for the purpose of purchasing a new backhoe for the Village. The loan is being repaid in monthly payments of \$519 of principal and accrued interest over 10 years beginning in 2006.

The Ohio Public Works Commission (OPWC) 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.

The Ohio Public Works Commission (OPWC) 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) sewer loan (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) sewer loan (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.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**5. DEBT – (CONTINUED)**

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

| Year ending December 31: | General<br>Obligation<br>Notes | OPWC Loans       | Total            |
|--------------------------|--------------------------------|------------------|------------------|
| 2008                     | \$40,709                       | \$8,589          | \$49,298         |
| 2009                     | 41,228                         | 8,589            | 49,817           |
| 2010                     | 41,228                         | 8,589            | 49,817           |
| 2011                     | 41,228                         | 8,589            | 49,817           |
| 2012                     | 41,228                         | 8,589            | 49,817           |
| 2013 – 2017              | 199,071                        | 42,948           | 242,019          |
| 2018 – 2022              | 175,000                        | 23,284           | 198,284          |
| 2023 – 2027              | 175,000                        | 7,095            | 182,095          |
| 2028 – 2031              | 127,060                        |                  | 127,060          |
| Total                    | <u>\$881,752</u>               | <u>\$116,272</u> | <u>\$998,024</u> |

**6. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the 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 2007, OP&F participants contributed 10% of their wages. For 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007, OPERS members contributed 9.5%, of their gross salaries and the Village contributed an amount equaling 13.85%, respectively, of participants' gross salaries. In 2007, retirement contributions from both employee and employer totaling \$2,306 dollars were deducted from the salaries of Village employees and were not reported or submitted to the Ohio Public Employees Retirement System.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to 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 over 550 Ohio governments ("Members").

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**7. RISK MANAGEMENT – (CONTINUED)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

|                 | <b>2007</b>        | <b>2006</b>        |
|-----------------|--------------------|--------------------|
| Assets          | \$11,136,455       | \$9,620,148        |
| Liabilities     | <u>(4,273,553)</u> | <u>(3,329,620)</u> |
| Members' Equity | <u>\$6,862,902</u> | <u>\$6,290,528</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Continental, Putnam County, (the Village), as of and for year ended December 31, 2007 following Ohio Administrative Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2007-010 through 2007-019.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2007-001 through 2007-009.

Village of Continental  
Putnam County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Page 2

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone 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

October 29, 2008



**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Revised Code § 9.44 (C) states an employee who has retired in accordance with the provisions of any retirement plan offered by the state and who is employed by the state or any political subdivision of the state on or after June 24, 1987, shall not have prior service with the state, any political subdivision of the state, or a regional council of government established in accordance with Chapter 167 of the Revised Code counted for the purpose of computing vacation leave.

Rod Foor, who was employed by the Village, received an annual accrual of 120 hours of vacation leave after retiring and being rehired in November 2005. This is the same accrual rate he received before his initial retirement. As stated above, Mr. Foor's prior service credit could not be counted for the purpose of computing vacation leave after his re-hiring. This resulted in Mr. Foor receiving 40 hours additional vacation leave in 2006 and 2007 which he was not entitled. We recommend the Village lower Mr. Foor's vacation balance by 80 hours and adjust his accrual to 80 hours per year.

We also reported this matter in the Management Letter in our audit of the 2006 and 2005 financial statements.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Revised Code § 145.47(B) requires the village fiscal officer to transmit a report of contributions to the public employees retirement board. The report shall show all deductions for the retirement system made from the earnable salary of each contributor employed. The report, together with warrants or checks covering the total of such deductions, shall be made at such intervals and be in such form as the board requires.

In 2007, retirement contributions from both employee and employer totaling \$2,306 dollars were deducted from the salaries of Village employees and were not reported or submitted to the Ohio Public Employees Retirement System. This matter will be referred to the Ohio Public Employees Retirement System for any action they deem necessary.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Revised Code § 149.351 states all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Revised Code Sections 149.38 through 149.42.

The Village personnel were unable to locate Tax Settlement Sheets, documentation supporting receipts, budgetary documents, payroll timesheets, and several invoices during the audit period. The Village should ensure all records are adequately safeguarded. In addition, Village Council should establish a records removal policy. This will help ensure public records are not lost or destroyed.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

Ohio Revised Code § 5705.10(D) states all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

Furthermore, Ohio Rev. Code § 5705.10(A) requires all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Ohio Rev. Code § 5705.10(H) states money paid into any fund shall be used only for the purposes for which such fund is established. A negative fund balance indicates money from one fund was used to cover the expenses of another fund.

- Advances from the General Fund, Water Operating Fund, and Sewer Debt Service Fund totaling \$30,800 did not include an appropriate resolution from the Village Council;
- The Village incorrectly reported \$442 of Deregulation monies due to the Police Fund to the General Fund;
- The Village incorrectly reported \$5,275 of Special Assessment due to the Water Assessment Fund to the Water Operating Fund;
- In 2007, the Village posted \$17,500 of debt service payments from the General Fund rather than from the Debt Service Fund which was established to pay these expenditures;
- The Village posted \$16,800 of debt service payments from the Debt Service Fund rather than from the Water Assessment Fund which was established to pay these expenses;
- Although there were no funds with deficit cash balances at fiscal year end, the following funds were found to have deficit balances sometime during fiscal year 2007 by a maximum of the amounts listed:

| <u>Fund</u>                           | <u>Maximum deficit at anytime<br/>throughout the year</u> |
|---------------------------------------|---|
| Street Construction and Repair Fund   | \$23,595  |
| Police Fund                           | 7,552   |
| Street Construction Fund              | 17,494  |
| Lakeland Pump Station and Street Fund | 79,069  |
| Fire Station Fund                     | 1,849   |
| Sewer Operating Fund                  | 17,570  |

**FINDING NUMBER 2007-004  
(Continued)**

We recommend Council approve a fund transfer from fund(s) with more abundant resources provided officials comply with the provisions of Ohio Revised Code §§ 5705.14, 5705.15, and 5705.16 in order to cover the funds with the negative fund balances.

If advances are deemed necessary management should refer to Auditor of State Bulletin 97-003 for further guidance. In addition, if advances are made, they should be made only under the express authority of the Village Council.

As part of the monitoring process, Village Council should review financial records to make sure the amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded, per § 5705.42 of the Ohio Revised Code. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation, per § 5705.40 of the Ohio Revised Code. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action, per § 5705.38 of the Ohio Revised Code.

In 2007, the Village was the beneficiary of \$220,604 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Village. Since OPWC paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund. These funds along with all other disbursements in the Capital Projects funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$220,604, contrary to Ohio Revised Code § 5705.41(B) which requires all expenditures to be appropriated.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records and appropriate funds for the expenditures. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

Ohio Revised Code § 5705.36(A)(2) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines the fiscal officer's certification is reasonable, the commission shall certify an amended certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36(A)(4) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Additionally, Ohio Revised Code § 5705.39, states in part the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures there from as certified by the budget commission or in case of appeal, by the board of tax appeals.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds:

| <b>Fund</b>                         | <b>Estimated Resources</b> | <b>Available Resources</b> | <b>Variance</b> | <b>Appropriations</b> |
|-------------------------------------|----------------------------|----------------------------|-----------------|-----------------------|
| Street Construction and Repair Fund | \$53,606                   | \$53,113                   | (\$493)         | \$53,200              |
| Water Assessment Fund               | 17,649                     | 13,324                     | (4,325)         | 16,800                |

The Fiscal Officer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations.

We recommend the Fiscal Officer compare actual revenues with estimated revenues during the year and make changes when necessary.

**FINDING NUMBER 2007-007**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village’s expenditures exceeded appropriations in the following funds at December 31, 2007:

| <b>Fund</b>                         | <b>Appropriation Authority</b> | <b>Actual Expenditures</b> | <b>Difference</b> |
|-------------------------------------|--------------------------------|----------------------------|-------------------|
| General Fund                        | \$245,465                      | \$251,671                  | (\$6,206)         |
| Street Construction and Repair Fund | 53,405                         | 77,336                     | (23,931)          |
| Police Fund                         | 84,656                         | 91,648                     | (6,992)           |
| Sewer Operating Fund                | 81,046                         | 130,136                    | (49,090)          |

Allowing expenditures to exceed appropriations could result in deficit spending. The Village Officials should regularly monitor budgets to make sure there are sufficient appropriations to fund anticipated expenditures.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2007-008**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure 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.

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 both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**FINDING NUMBER 2007-008  
(Continued)**

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 Village 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 line item appropriation.

Sixty-seven percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 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, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2007-009**

**Noncompliance Citation**

**26 USCS § 3402** mandates employers shall deduct and withhold the required tax from each employee. Additional provisions in the chapter describe procedures for withholding and remitting federal tax for employees.

The Village under reported wages on eight employees salaries in amounts ranging from \$100 to \$200 on the payroll system and the employees form W-2’s. Consequently, the required taxes may not have been properly withheld from their wages. The incorrect amounts reported may have been caused by the Village not recognizing Christmas bonuses as taxable earnings.

We recommend the gross annual payroll amount per the cash journal agree to the payroll ledger and W-2’s prepared by the Village. These records should be reviewed for agreement annually. This matter will be referred to the Internal Revenue Service for any action they deem necessary.

### **FINDING NUMBER 2007-010**

#### **Budgetary Receipts/Appropriations**

Budgeted receipts and appropriations posted to the Village's accounting system did not always agree to the amended certificate of estimated resources or the appropriation resolution.

Inaccurate budgetary figures hinder Council's ability to monitor the Village's financial condition when reviewing budgetary reports. All appropriation amendments at the fund level need to be filed with the county auditor.

The Village should only post approved and accurate budgetary figures to the accounting system. Council's review of budgetary reports should include a comparison of posted amounts to the certificates, resolutions, and minutes for approved amounts.

### **FINDING NUMBER 2007-011**

#### **Timely Utility Deposits**

The Fiscal Officer did not deposit monies received from the Utility Clerk within the next business day. At the end of each month the Utility Clerk wrote a check to the Village for the month's utility revenue. None of these utility checks were deposited to the bank within the next business day. Five of the 12 checks were held in excess of 20 days and one of the 12 checks was deposited 59 days later with a deposit amount of \$55,995.

Untimely deposits of Village monies allows a substantial amount of cash to remain on hand, making cash susceptible to theft and reduces the amount of interest earned by the Village. We recommend all monies be deposited and posted as received.

### **FINDING NUMBER 2007-012**

#### **Segregation of Utility Duties**

The Utility Clerk was responsible for posting utility bills, receiving payments, depositing utility receipts, and entering transactions into the utility system. Furthermore, the utility subsidiary revenue ledger was not online with the village cash receipts journal, nor was it reconciled to the cash receipts journal. There was no evidence utility edit reports, that show adjustments made to utility accounts, were printed and approved by the BPA. The Utility Clerk prepared an Excel spreadsheet of monthly utility collections, however it is difficult to determine completeness of this report since no monthly or yearly system reports were printed. This could result in errors and fraud occurring without the timely detection by management.

To increase controls and accountability over utility receipts, we recommend the Board of Public Affairs:

- Review and initial Utility Payments Edit Reports for any adjustments made to customer accounts and approve any credit adjustments on the Utility Receipt Report;
- Compare collections per the Utility Receipt Report to Utility Edit Reports, receipts, and deposits;
- Reconcile a monthly and yearly utility report to deposits and receipts on a periodic basis or have the Fiscal Officer perform this procedure. If a monthly and yearly report cannot be printed, the Village may need to consult with the software vendor.

### **FINDING NUMBER 2007-013**

#### **Electronic Imaging of Checks**

According to the AICPA Professional Standard AU § 326, the Village should make available to the Auditors underlying and corroborating information to supply sufficient evidential matter which would permit the Auditors to reach conclusions through valid reasoning. Electronic imaging of cancelled checks may be used as sufficient evidential matter as long as both sides of the checks have been imaged.

Auditors are required to view both sides of the cancelled checks to reach their conclusions.

The original paper checks are public records subject to the records retention policy in accordance with the Ohio Revised Code. Regardless, if the documents are in the possession of the entity or the financial institution, it is the Village's responsibility to provide sufficient evidential matter to the Auditors so they would not be in violation of their records retention policies and those established by the Ohio Revised Code.

We therefore recommend the Village request the original checks or images of both sides of the checks. The imaging must be large enough to read all the markings on both sides of the check.

### **FINDING NUMBER 2007-014**

#### **Insurance Deductible Reimbursement Policy**

Council adopted a motion on March 28, 2006 stating up to \$1,000 of the deductible on employee health insurance will be reimbursed to the employee upon verification of payment. On April 11, 2006, Council clarified the prior motion in the minutes (without Council action) and stated the Village will pay the deductible after \$250 per person and \$500 per family per year. On June 13, 2006, Council approved a motion stating the Village will pay the provider after the insurance deductible is met. There was no policy regarding paying the employees' deductible in the employee policy manual adopted on August 8, 2006.

Based on the policy manual and Council action it is unclear whether the maximum payment should be \$1,000 or whether the employees' out of pocket expense should be \$250 or \$500. To avoid overpayments for medical deductibles, we recommend Council adopt a more comprehensive policy and include it in the employee manual.

We also reported this matter in the Management Letter in our audit of the 2006 and 2005 financial statements.

### **FINDING NUMBER 2007-015**

#### **Minutes**

The minute records did not have authorized signatures of the Council President for four meetings, and the Fiscal Officer for eight meetings during the audit period. This may allow unauthorized transactions or activities to take place. Since the minute records represent official Council actions, we recommend the Council President and the Fiscal Officer sign each record of proceedings indicating their approval.



#### **FINDING NUMBER 2007-016**

##### **Vacation and Compensatory Leave Benefits**

The Village does not have a policy on whether employees are allowed to be paid for vacation and compensatory leave balances upon resignation or retirement. This makes Council's intentions unclear on whether employees are to be paid for vacation and compensatory leave upon separation from the Village. We recommend the Village clarify their position on termination benefits.

We also reported this matter in the Management Letter in our audit of the 2006 and 2005 financial statements.

#### **FINDING NUMBER 2007-017**

##### **Payroll Expenditure Monitoring**

The following weaknesses were noted while testing payroll expenditures:

- The Village made late payment charges to Police and Fire Pension Fund (OP&F) of \$500;
- The Village made overpayments of employee and employer shares to OP&F in 2007 of \$419.

These weaknesses could result in improper expenditures, unnecessary payment of public monies (i.e., late charges for late or past due payments), reconciliation problems and irregularities. We recommend the payments be made in a timely manner and in the proper amount to avoid incurring finance charges or penalties.

#### **FINDING NUMBER 2007-018**

##### **Monitoring Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2007 financial statements contained material errors, such as the following:

- Intergovernmental revenues from the Ohio Public Works Commission in the amount of \$220,604 were not recorded on the financial statements;
- Contributions and Donation revenue in the amount of \$75,000 were recorded as Miscellaneous Revenues in the General Fund;
- Debt Service Payments of \$17,500 for the Fire Station Note were expensed from the General Fund rather than from the Debt Service Fund;
- Special Assessment Revenue in the Water Assessment Fund in the amount of \$5,275 was posted as Charges for Services Revenue in the Water Operating Fund.

Nineteen adjusting entries were posted to the financial statements to correct these and other errors. The financial statements presented have been adjusted to reflect these corrections.

**FINDING NUMBER 2007-018  
(Continued)**

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2007-019**

**Audit Committee**

The Village should establish an audit committee to serve as liaison between management and its auditors. The primary functions of such a committee are to monitor and review the Village's accounting and financial reporting practices and to follow up on citations and recommendations made by the auditors.

The audit committee should be actively involved in:

- Meeting with the Village's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit;
- Ensuring the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Village's legal compliance, financial condition, and controls over safeguarding of assets. We also recommend minutes also be retained of the meetings.

The audit committee can include members of the Council; however, it can include representation independent from officials or management. The committee could include professionals knowledgeable in the Village's financial operation, such as attorneys or bankers.

We also reported this matter in the Management Letter in our audit of the 2006 and 2005 financial statements.

**Officials' Response:**

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

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b> |
|----------------|---|------------------|---|
| 2006-001       | Ohio Revised Code § 5705.10(D), unauthorized advances made between funds        | No               | Not corrected – Repeated as Finding 2007-004.   |
| 2006-002       | Ohio Revised Code § 5705.14, unauthorized transfers made between funds          | Yes              |   |
| 2006-003       | Ohio Revised Code § 5705.36 – estimated resources in excess of actual resources | No               | Not corrected – Repeated as Finding 2007-006.   |
| 2006-004       | Ohio Revised Code § 5705.40 – appropriation amendments not legally adopted      | Yes              |   |
| 2006-005       | Ohio Revised Code § 5705.39 – appropriations in excess of estimated resources   | Yes              |   |
| 2006-006       | Ohio Revised Code § 5705.41(B) – expenditures in excess of appropriations       | No               | Not corrected – Repeated as Finding 2007-007.   |
| 2006-007       | Ohio Revised Code § 5705.41(D)(1) – expenditures not properly certified         | No               | Not corrected – Repeated as Finding 2007-008.   |
| 2006-008       | Ohio Administrative Code § 117-2-01(A) – lack of supporting documentation       | Yes              |   |
| 2006-009       | Monitoring Controls by Council and Financial Reporting                          | No               | Not corrected – Repeated as Finding 2007-020.   |
| 2006-010       | Estimated Revenue Posting   | No               | Not corrected – Repeated as Finding 2007-010.   |
| 2006-011       | Segregation of Utility Duties   | No               | Not corrected – Repeated as Finding 2007-012.   |
| 2006-012       | Timely Utility Deposits   | No               | Not corrected – Repeated as Finding 2007-011.   |





**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 2, 2008**