



**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 10, 2010

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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 audited the accompanying financial statements of the Village of Continental, Putnam County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The

Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

May 10, 2010

**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, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$52,818	\$106,666			\$159,484
Intergovernmental	128,121	99,135			227,256
Payment-in-lieu of Taxes	9,648				9,648
Charges for Services	49,708		\$42,500		92,208
Fines, Licenses and Permits	3,518	160			3,678
Earnings on Investments	453	62			515
Claims Reimbursement	27,475				27,475
Miscellaneous	3,260	1,804			5,064
	<u>275,001</u>	<u>207,827</u>	<u>42,500</u>		<u>525,328</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	79,930	86,112			166,042
Basic Utility Service	11,096	13,383			24,479
Transportation		93,983			93,983
General Government	96,570	3,279			99,849
Debt Service:					
Redemption of Principal		2,974	10,610		13,584
Interest and Fiscal Charges		788	24,390		25,178
Capital Outlay	23,564	88,416			111,980
	<u>211,160</u>	<u>288,935</u>	<u>35,000</u>		<u>535,095</u>
Total Cash Receipts Over/(Under) Cash Disbursements	63,841	(81,108)	7,500		(9,767)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	13,000				13,000
Transfers-In		89,000		\$79,069	168,069
Transfers-Out	(168,069)				(168,069)
Advances-Out	(24,000)				(24,000)
	<u>(179,069)</u>	<u>89,000</u>		<u>79,069</u>	<u>(11,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(115,228)	7,892	7,500	79,069	(20,767)
Fund Cash Balances, January 1	175,481	62,451	60,065	(68,920)	229,077
Fund Cash Balances, December 31	<u>\$60,253</u>	<u>\$70,343</u>	<u>\$67,565</u>	<u>\$10,149</u>	<u>\$208,310</u>
Reserve for Encumbrances, December 31	<u>\$2,796</u>	<u>\$2,137</u>			<u>\$4,933</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, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$267,900
Miscellaneous	129
	<u>268,029</u>
Total Operating Cash Receipts	<u>268,029</u>
Operating Cash Disbursements:	
Personal Services	60,240
Employee Fringe Benefits	18,591
Contractual Services	109,620
Supplies and Materials	59,659
Other	2,000
	<u>250,110</u>
Total Operating Cash Disbursements	<u>250,110</u>
Operating Income	<u>17,919</u>
Non-Operating Cash Receipts:	
Property and Other Local Taxes	134
Miscellaneous Receipts	2,144
	<u>2,278</u>
Total Non-Operating Cash Receipts	<u>2,278</u>
Non-Operating Cash Disbursements:	
Capital Outlay	39,112
Redemption of Principal	20,269
Interest and Other Fiscal Charges	799
	<u>60,180</u>
Total Non-Operating Cash Disbursements	<u>60,180</u>
Excess of Disbursements Over Receipts Before Interfund Advances	(39,983)
Advances-In	<u>24,000</u>
Net Disbursements Over Receipts	(15,983)
Fund Cash Balances, January 1	<u>259,161</u>
Fund Cash Balances, December 31	<u>\$243,178</u>
Reserve for Encumbrances, December 31	<u>\$3,613</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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$64,168	\$119,841			\$184,009
Intergovernmental	90,824	90,702			181,526
Charges for Services	46,094	376	\$55,083		101,553
Fines, Licenses and Permits	4,295	50			4,345
Earnings on Investments	591	7			598
Claims Reimbursement	45,180				45,180
Miscellaneous	9,237	405			9,642
Total Cash Receipts	260,389	211,381	55,083		526,853
Cash Disbursements:					
Current:					
Security of Persons and Property	105,824	87,358			193,182
Basic Utility Service	7,343	15,279			22,622
Transportation		78,739			78,739
General Government	113,258	3,663			116,921
Debt Service:					
Redemption of Principal		2,842	9,978		12,820
Interest and Fiscal Charges		1,243	25,022		26,265
Total Cash Disbursements	226,425	189,124	35,000		450,549
Total Cash Receipts Over Cash Disbursements	33,964	22,257	20,083		76,304
Other Financing Receipts / (Disbursements):					
Transfers-In		48,250		\$19,343	67,593
Transfers-Out	(67,593)				(67,593)
Other Financing Uses	(605)				(605)
Total Other Financing Receipts / (Disbursements)	(68,198)	48,250		19,343	(605)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	(34,234)	70,507	20,083	19,343	75,699
Fund Cash Balances, January 1	209,715	(8,056)	39,982	(88,263)	153,378
Fund Cash Balances, December 31	\$175,481	\$62,451	\$60,065	(\$68,920)	\$229,077
Reserve for Encumbrances, December 31	\$3,954	\$2,659			\$6,613

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, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$282,681
Operating Cash Disbursements:	
Personal Services	56,767
Employee Fringe Benefits	18,697
Contractual Services	170,379
Supplies and Materials	53,233
Other	12,981
Total Operating Cash Disbursements	312,057
Operating Loss	(29,368)
Non-Operating Cash Receipts:	
Property and Other Local Taxes	974
OWDA Loan Proceeds	60,200
Earnings on Investments	176
Miscellaneous Receipts	100
Total Non-Operating Cash Receipts	61,450
Non-Operating Cash Disbursements:	
Capital Outlay	13,955
Redemption of Principal	23,984
Interest and Other Fiscal Charges	1,307
Total Non-Operating Cash Disbursements	39,246
Net Disbursements Over Receipts	(7,164)
Fund Cash Balances, January 1	266,325
Fund Cash Balances, December 31	\$259,161
Reserve for Encumbrances, December 31	\$17,555

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, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of 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, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Village's 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

E. Budgetary Process

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

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. Restatement of Fund Balances

In 2008, four 2007 warrants totaling \$11,774 became stale dated and were subsequently voided. This had the following effect on the January 1, 2008 fund balances:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund Balance December 31, 2007	\$213,613	\$ (180)
Fund Balance Adjustment	<u>(3,898)</u>	<u>(7,876)</u>
Adjusted Fund Balance at January 1, 2008	<u>\$209,715</u>	<u>\$(8,056)</u>

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

3. 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:

	2009	2008
Demand deposits	\$437,727	\$434,515
STAR Ohio	13,761	13,723
Total deposits and investments	\$451,488	\$448,238

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 are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$275,120	\$288,001	\$12,881
Special Revenue	254,043	296,827	42,784
Debt Service	46,350	42,500	(3,850)
Capital Projects	79,069	79,069	
Enterprise	338,600	294,307	(44,293)
Total	\$993,182	\$1,000,704	\$7,522

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$435,151	\$406,025	\$29,126
Special Revenue	271,545	291,072	(19,527)
Debt Service	40,001	35,000	5,001
Enterprise	343,859	313,903	29,956
Total	\$1,090,556	\$1,046,000	\$44,556

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$211,000	\$260,389	\$49,389
Special Revenue	187,198	259,631	72,433
Debt Service	38,000	55,083	17,083
Capital Projects	1,849	19,343	17,494
Enterprise	304,300	344,131	39,831
Total	<u>\$742,347</u>	<u>\$938,577</u>	<u>\$196,230</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$416,724	\$298,577	\$118,147
Special Revenue	141,740	191,783	(50,043)
Debt Service	78,682	35,000	43,682
Enterprise	537,493	368,858	168,635
Total	<u>\$1,174,639</u>	<u>\$894,218</u>	<u>\$280,421</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction and Repair Fund by \$16,735 for the year ended December 31, 2009 and also in the Street Construction and Repair Fund by \$29,276, the Police Fund by \$9,499 and in the Sewer Fund by \$35,512 for the year ended December 31, 2008.

Contrary to Ohio law, the Lakeland Pump Station Fund had a \$79,069 deficit cash balance at December 31, 2008. In addition, the Village incorrectly reported Street Lighting tax monies and expenditures in the General Fund for 2009 and 2008.

5. 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, 2009 AND 2008
(Continued)**

6. Debt

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Note	\$454,592	5.20%
Backhoe Note	35,072	5.95%
Salt Storage Note	13,000	3.75%
Ohio Public Works Commission - Various Street Projects	8,415	0.00%
Ohio Public Works Commission - Water	16,436	0.00%
Ohio Public Works Commission - Sewer (1998)	42,027	0.00%
Ohio Public Works Commission - Sewer (2005)	27,920	0.00%
Ohio Water Development Authority - Water Pollution Control Loan	40,000	0.00%
Total	<u><u>\$637,462</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 Salt Storage Note was obtained for the purpose of purchasing a new salt storage building for the Village. The loan is being repaid in semiannual payments of \$3,058 of principal and accrued interest over 2 years beginning in 2010.

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.

The Ohio Water Development Authority (OWDA) water pollution control loan (#4731) was obtained for wastewater planning at the Village. The loan is being repaid in semiannual principal installments of \$5,000 over 5 years beginning 2009.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

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

Year ending December 31:	General Obligation Notes - Principal	General Obligation Notes - Interest	OPWC Loans	OWDA Loan
2010	\$21,881	\$25,898	\$8,589	\$10,000
2011	23,515	24,800	8,589	10,000
2012	17,546	23,682	8,589	10,000
2013	18,511	22,718	8,589	10,000
2014	19,529	21,699	8,589	
2015 – 2019	93,669	93,010	39,234	
2020 – 2024	106,828	68,172	10,079	
2025 – 2029	138,089	36,911	2,540	
2030 – 2031	63,096	4,045		
Total	<u>\$502,664</u>	<u>\$320,935</u>	<u>\$94,798</u>	<u>\$40,000</u>

7. Retirement Systems

The Village's certified 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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has not paid all contributions required through December 31, 2009.

8. 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 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 coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

8. Risk Management (Continued)

member's exposure to loss, except OPRM retain 15% 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 over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. Pending Litigation

The Village is a defendant in a lawsuit where it is alleged the Village failed to have a rule establishing methods of notice regarding public meetings and where it is alleged the Village conducted several executive sessions contrary to the Ohio Open Meetings Law. The Village is unable to determine the likelihood of an unfavorable outcome of this case, nor any estimate of potential loss in the event of an unfavorable outcome.

10. Compliance

Contrary to Ohio law, a water tank repair project exceeded the \$25,000 expenditure limit and was not competitively bid.



Mary Taylor, CPA
Auditor of State

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

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

To the Village Council:

We have audited the financial statements the Village of Continental, Putnam County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 10, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001, 2009-002, and 2009-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 10, 2010.

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



Mary Taylor, CPA
Auditor of State

May 10, 2010

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

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

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

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.38 states on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure.

Ohio Revised Code § 5705.40 provides any appropriation measures may be amended or supplemented as long as such amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. This has been interpreted to mean the governing body cannot delegate appropriation authority to the fiscal officer.

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter of the Ohio Revised Code.

The Fiscal Officer made changes to the annual appropriation measures adopted by Council in both 2009 and 2008 without evidence of Council's approval. Consequently, five funds appropriations differed from what was approved by Council in 2008 and 2009. These varied in amount from a \$1,000 change in the Water Fund in 2009 to a \$50,000 change in the Sewer Fund in 2008. Six adjustments were made to appropriations in the budgetary footnote in 2009 and 2008 to match those amounts authorized by Council. This resulted in expenditures exceeding appropriations as follows:

Fund	Appropriated	Expended	Difference
2009			
Street Construction, Maintenance and Repair Fund	\$135,799	\$152,534	(\$16,735)
2008			
Street Construction, Maintenance and Repair Fund	\$53,240	\$82,516	(\$29,276)
Police Fund	\$82,500	\$91,949	(\$9,449)
Sewer Fund	\$71,627	\$107,139	(\$35,512)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

We recommend all appropriations posted be approved and filed with the County Auditor so expenditures can be monitored and compliance with the Ohio Revised Code can be attained. We also recommend the County Auditor only post appropriation measures which have been formally adopted by the Council and documented in the records of the minutes of the Council's meetings. The minutes should include an accurate detail of the original appropriation amounts and any amendments thereto. The UAN system provides an appropriation report which may be used as the appropriation resolution. This can be included in the minutes and filed with the County Auditor.

FINDING NUMBER 2009-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10 requires all revenue derived from a special levy shall be credited to a special fund for which the levy was made, and all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Furthermore, 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.

We noted examples such as the following:

- In 2008, the Village incorrectly reported \$22,368 in Street Lighting tax monies, as well as \$15,856 in related expenditures, in the General Fund rather than the Street Lighting Fund. These figures represent eight percent of General Fund revenues and seven percent of General Fund expenditures, respectively.
- In 2009, the Village incorrectly reported \$22,698 in Street Lighting tax monies, as well as \$14,004 in related expenditures, in the General Fund rather than the Street Lighting Fund. These figures represent eight percent of General Fund revenues and six percent of General Fund expenditures, respectively.
- The Lakeland Pump Station had a \$79,069 deficit cash balance at December 31, 2008.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. Adjusting entries were posted to the financial statements and accounting records to correct these errors.

These situations could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Village.

We recommend Village Council approve any fund transfers to comply with the provisions of Ohio Revised Code §§ 5705.14, 5705.15, and 5705.16 in order to cover funds with negative fund balances.

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

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 731.14 requires all contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. Except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, when any expenditure, other than the compensation of persons employed in the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village.

In 2008, the Village had a water tank repair project which totaled \$32,300. As stated above, the Village is required to engage in competitive bidding where the expenditure exceeds \$25,000. The water tank repair project exceeded the \$25,000 expenditure limit and was not competitively bid. We recommend all applicable projects exceeding the bidding requirement be competitively bid in accordance with the Ohio Revised Code.

FINDING NUMBER 2009-004

Material Weakness – Monitoring Controls

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Fiscal Officer performs most accounting functions. It is therefore important Council monitor financial activity closely.

There was no evidence the Council reviewed monthly detail revenue, disbursement ledgers, budgetary activity, invoices, or fund balance reports on a regular basis.

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements. This includes examples such as the following:

- Incorrect classification of rollback and homestead, and utility deregulation monies as miscellaneous, instead of intergovernmental revenue classification, in the amount of \$16,748 in 2009 in the General Fund.
- Incorrect classification of claim reimbursement monies as miscellaneous, instead of claims reimbursement classification, in the amount of \$45,180 in 2009 in the General Fund.
- Incorrect classification of loan proceeds as miscellaneous, instead of OWDA loan proceeds classification, in the amount of \$50,000 in 2008 in the Enterprise Fund.

Adjusting entries ranging from \$30 to \$50,000 were posted to the financial statements and accounting records to correct these and other errors.

In order to ensure the financial activity of the Village is being properly accounted for and bills are being paid on time, we recommend the Council review invoices, detail revenue and disbursement ledgers, budgetary activity, and fund balance reports on a frequent, perhaps monthly basis. The documents should be reviewed, initialed and approved in the minutes. Council should also review the annual financial statement prepared by the Fiscal Officer for accuracy and completeness.

Official's 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, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code § 9.44(C), improperly computing vacation leave.	No	Repeated in the management letter.
2007-002	Ohio Revised Code § 145.47(B), improper PERS reporting.	No	Repeated in the management letter.
2007-003	Ohio Revised Code § 149.351, disposal of public records.	Yes	
2007-004	Ohio Revised Code § 5705.10, advance of funds and deficit fund balances.	No	Repeated as Finding 2009-002 in this report.
2007-005	Ohio Revised Code § 5705.42 – money not properly budgeted	Yes	
2007-006	Ohio Revised Code § 5705.36(A)(2) failure to amend estimated resources.	Yes	
2007-007	Ohio Revised Code § 5705.41(B), expenditures in excess of appropriations.	No	Repeated as Finding 2009-001 in this report.
2007-008	Ohio Revised Code § 5705.41(D)(1) – failure to certify all funds.	Yes	
2007-009	26 USCS § 3402 – failure to withhold and remit federal tax.	Yes	
2007-010	Posted budgetary receipts and expenditures should agree to approved amounts.	No	Repeated in Management Letter.
2007-011	Improve timeliness of deposits.	No	Repeated in Management Letter.
2007-012	Improve monitoring over utility cycle.	No	Repeated in Management Letter.

Village of Continental
Putnam County
Schedule of Prior Audit Findings
Page 2

2007-013	Obtain complete electronic images of checks.	Yes	
2007-014	Develop insurance deductible reimbursement policy.	Yes	
2007-015	Minutes should be signed.	Yes	
2007-016	Need vacation and compensation leave policy.	No	Repeated in Management Letter.
2007-017	Improve payroll expenditure monitoring.	Partially Corrected	Repeated in Management Letter.
2007-018	Improve monitoring of financial statements.	No	Repeated as Finding 2009-004 in this report.
2007-019	Audit committee should be established.	No	Repeated in Management Letter



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
MAY 27, 2010**