



Dave Yost • Auditor of State

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Continental
Putnam County
100 North Main Street
P.O. Box 447
Continental, Ohio 45831-0447

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Continental, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

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and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Continental, Putnam County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 12, 2018

Village of Continental

Putnam County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$68,477	\$118,586			\$187,063
Municipal Income Tax	173,124				173,124
Intergovernmental	63,560	100,043			163,603
Charges for Services	127,955				127,955
Fines, Licenses and Permits	3,459	380			3,839
Earnings on Investments	291				291
Miscellaneous	29,757	7,336			37,093
<i>Total Cash Receipts</i>	<u>466,623</u>	<u>226,345</u>			<u>692,968</u>
Cash Disbursements					
Current:					
Security of Persons and Property	62,025	119,847			181,872
Basic Utility Services	6,261				6,261
Transportation		75,693			75,693
General Government	186,296	3,285			189,581
Capital Outlay	3,000	64,064			67,064
Debt Service:					
Principal Retirement	3,229	9,748	\$22,297		35,274
Interest and Fiscal Charges	48	320	13,203		13,571
<i>Total Cash Disbursements</i>	<u>260,859</u>	<u>272,957</u>	<u>35,500</u>		<u>569,316</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>205,764</u>	<u>(46,612)</u>	<u>(35,500)</u>		<u>123,652</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets				\$3,250	3,250
Transfers In		40,000	32,521		72,521
Transfers Out	(72,521)				(72,521)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(72,521)</u>	<u>40,000</u>	<u>32,521</u>	<u>3,250</u>	<u>3,250</u>
<i>Net Change in Fund Cash Balances</i>	<u>133,243</u>	<u>(6,612)</u>	<u>(2,979)</u>	<u>3,250</u>	<u>126,902</u>
<i>Fund Cash Balances, January 1</i>	<u>596,100</u>	<u>165,953</u>	<u>81,316</u>	<u>1,725</u>	<u>845,094</u>
Fund Cash Balances, December 31					
Restricted	24,972	159,341		4,975	189,288
Committed			78,337		78,337
Assigned	135,397				135,397
Unassigned	568,974				568,974
<i>Fund Cash Balances, December 31</i>	<u>\$729,343</u>	<u>\$159,341</u>	<u>\$78,337</u>	<u>\$4,975</u>	<u>\$971,996</u>

See accompanying notes to the basic financial statements

Village of Continental
Putnam County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$350,018</u>
Operating Cash Disbursements	
Personal Services	70,114
Employee Fringe Benefits	27,950
Contractual Services	109,685
Supplies and Materials	58,885
Other	<u>3,210</u>
<i>Total Operating Cash Disbursements</i>	<u>269,844</u>
<i>Operating Income</i>	<u>80,174</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	1,495
Capital Outlay	(23,778)
Principal Retirement	(78,257)
Interest and Other Fiscal Charges	<u>(300)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(100,840)</u>
<i>Net Change in Fund Cash Balances</i>	(20,666)
<i>Fund Cash Balances, January 1</i>	<u>457,674</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$437,008</u></u>

See accompanying notes to the basic financial statements

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Continental, Putnam County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street lighting, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) and the Ohio Municipal League Group Rating Plan (GRP), public entity risk pools. Notes 8 and 12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Fund The police fund receives property tax receipts for providing police services to the residents of the Village.

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note Retirement - Fire Station Fund This fund receives transfers from the General fund to pay off loans related to the fire station.

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

Permanent Improvement Fund This fund receives sale of capital assets receipts for use on future permanent improvements within the Village.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Loan Fund This fund is a utility improvement fund, used to account for loan proceeds from the Ohio Water Development Authority and the Ohio Public Works Commission restricted to improvements for the Village's utility systems. A utility surcharge recorded in this fund will repay these loans.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

A summary of 2017 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Fund Balance

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

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

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

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

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

Note 3 - Compliance

Contrary to Ohio law, proceeds from the sale of a permanent improvement were incorrectly recorded in the General fund rather than in a separate Capital Projects fund for the purchase of permanent improvements.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$436,043	\$466,623	\$30,580
Special Revenue	362,921	266,345	(96,576)
Debt Service	53,040	32,521	(20,519)
Capital Projects		3,250	3,250
Enterprise	391,911	351,513	(40,398)
Total	\$1,243,915	\$1,120,252	(\$123,663)

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$624,283	\$341,455	\$282,828
Special Revenue	440,204	276,963	163,241
Debt Service	52,500	35,500	17,000
Enterprise	543,004	376,364	166,640
Total	\$1,659,991	\$1,030,282	\$629,709

Note 5 – 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:

	2017
Demand deposits	\$1,394,963
STAR Ohio	14,041
Total deposits and investments	\$1,409,004

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Investments

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

Note 6 – Taxes

Property Taxes

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.

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
For the Year Ended December 31, 2017
(Continued)

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Interfund Transfers

For the year ended December 31, 2017, the Village had the following two transfers:

Fund From	Fund To	Amount	Purpose
General Fund	Street Construction, Maintenance and Repair Fund	\$40,000	To provide additional services related to the street department
General Fund	Note Retirement - Fire Station Fund	32,521	To cover debt service costs related to the fire station loans

Note 8 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Sixteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's Police Chief belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of the full-time police member's wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Thirty-two of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Loan	\$323,095	3.83%
Pick-up Loan	12,650	2.90%
Ohio Public Works Commission Loan CM02B	8,848	0%
Ohio Public Works Commission Loan CM09A	2,739	0%
Ohio Public Works Commission Loan CT42E	3,560	0%
Ohio Public Works Commission Loan CM10H	15,229	0%
Ohio Public Works Commission Loan CM08N	5,955	0%
Ohio Public Works Commission Loan CT38O	967,127	0%
Ohio Water Development Authority Loan #5669	110,163	0%
Ohio Water Development Authority Loan #6342	298,766	0%
Total	<u>\$1,748,132</u>	

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

The Pick-Up Loan was issued in 2014 and is scheduled to be repaid in monthly payments of \$683 of principal and interest over 5 years. However, Council approved an accelerated amortization schedule to pay off the loan by the end of 2018.

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

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

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

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

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

The Ohio Water Development Authority (OWDA) wastewater treatment plant loan #6342 was obtained for the repayment of OWDA planning loans #4731 and #4983 and for the construction of the new wastewater treatment plant. The loan is being repaid in semiannual principal installments of \$9,054 over 20 years beginning in 2017.

Amortization

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

Year Ending December 31:	Fire Station Loan	Pick-Up Loan	OPWC Loans	OWDA Loans
2018	\$35,000	\$12,865	\$44,834	\$26,581
2019	35,000		43,921	26,581
2020	35,000		38,584	26,582
2021	35,000		38,584	26,581
2022	35,000		38,584	26,581
2023-2027	175,000		188,317	132,906
2028-2032	52,986		180,800	115,957
2033-2037			179,098	27,160
2038-2042			179,098	
2043-2046			71,638	
Total	\$402,986	\$12,865	\$1,003,458	\$408,929

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund include various donations/contributions, reimbursements for health insurance and other expenses, and refunds from the Ohio Bureau of Workers Compensation.

Note 14 – Subsequent Events

In August 2017, the Village was awarded a \$450,000 Neighborhood Revitalization grant through the Community Development Program Competitive Set-Aside. This award will be passed through Putnam County, who will also contribute \$50,000 to the Village's neighborhood revitalization project. The Village has two years to complete this project.

Village of Continental

Putnam County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$79,206	\$120,255			\$199,461
Municipal Income Tax	166,468				166,468
Intergovernmental	45,385	106,603		\$27,312	179,300
Charges for Services	130,838				130,838
Fines, Licenses and Permits	3,207	155			3,362
Earnings on Investments	201				201
Miscellaneous	26,958	11,966			38,924
<i>Total Cash Receipts</i>	<u>452,263</u>	<u>238,979</u>		<u>27,312</u>	<u>718,554</u>
Cash Disbursements					
Current:					
Security of Persons and Property	75,622	137,749			213,371
Basic Utility Services	6,078				6,078
Transportation		89,917			89,917
General Government	159,326	3,514			162,840
Capital Outlay		35,700		29,241	64,941
Debt Service:					
Principal Retirement	3,142	9,172	\$18,885		31,199
Interest and Fiscal Charges	136	574	16,115		16,825
<i>Total Cash Disbursements</i>	<u>244,304</u>	<u>276,626</u>	<u>35,000</u>	<u>29,241</u>	<u>585,171</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>207,959</u>	<u>(37,647)</u>	<u>(35,000)</u>	<u>(1,929)</u>	<u>133,383</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets				1,725	1,725
Transfers In		63,000	55,471		118,471
Transfers Out	(118,471)				(118,471)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(118,471)</u>	<u>63,000</u>	<u>55,471</u>	<u>1,725</u>	<u>1,725</u>
<i>Net Change in Fund Cash Balances</i>	89,488	25,353	20,471	(204)	135,108
<i>Fund Cash Balances, January 1</i>	<u>506,612</u>	<u>140,600</u>	<u>60,845</u>	<u>1,929</u>	<u>709,986</u>
Fund Cash Balances, December 31					
Restricted	44,551	165,953		1,725	212,229
Committed			81,316		81,316
Assigned	188,240				188,240
Unassigned	363,309				363,309
<i>Fund Cash Balances, December 31</i>	<u>\$596,100</u>	<u>\$165,953</u>	<u>\$81,316</u>	<u>\$1,725</u>	<u>\$845,094</u>

See accompanying notes to the basic financial statements

Village of Continental
Putnam County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$346,109
Miscellaneous	\$2,532
	<u>348,641</u>
Operating Cash Disbursements	
Personal Services	72,207
Employee Fringe Benefits	29,077
Contractual Services	90,667
Supplies and Materials	58,563
Other	3,540
	<u>254,054</u>
<i>Total Operating Cash Disbursements</i>	<u>254,054</u>
<i>Operating Income</i>	<u>94,587</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	650
Capital Outlay	(27,312)
Principal Retirement	(46,505)
Interest and Other Fiscal Charges	(510)
	<u>(73,677)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(73,677)</u>
<i>Net Change in Fund Cash Balances</i>	20,910
<i>Fund Cash Balances, January 1</i>	<u>436,764</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$457,674</u></u>

See accompanying notes to the basic financial statements

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Continental, Putnam County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street lighting, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) and the Ohio Municipal League Group Rating Plan (GRP), public entity risk pools. Notes 8 and 12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Fund The police fund receives property tax receipts for providing police services to the residents of the Village.

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note Retirement - Fire Station Fund This fund receives transfers from the General fund to pay off loans related to the fire station.

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

Forest Street Waterline Improvement Fund This fund accounts for grant monies paid on behalf of the Village by the Ohio Public Works Commission for the Forest Street Waterline Improvement.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Loan Fund This fund is a utility improvement fund, used to account for loan proceeds from the Ohio Water Development Authority and the Ohio Public Works Commission restricted to improvements for the Village's utility systems. A utility surcharge recorded in this fund will repay these loans.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

A summary of 2016 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Fund Balance

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

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

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

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

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

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

Note 3 - Compliance

Contrary to Ohio law, proceeds from the sale of a permanent improvement were incorrectly recorded in the General fund rather than in a separate Capital Projects fund for the purchase of permanent improvements.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$398,395	\$452,263	\$53,868
Special Revenue	307,508	301,979	(5,529)
Debt Service	80,040	55,471	(24,569)
Capital Projects	27,312	29,037	1,725
Enterprise	359,904	349,291	(10,613)
Total	\$1,173,159	\$1,188,041	\$14,882

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$650,020	\$368,733	\$281,287
Special Revenue	402,082	285,757	116,325
Debt Service	55,190	35,000	20,190
Capital Projects	29,241	29,241	
Enterprise	514,754	340,802	173,952
Total	\$1,651,287	\$1,059,533	\$591,754

Note 5 – 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:

	2016
Demand deposits	\$1,288,876
STAR Ohio	13,892
Total deposits and investments	\$1,302,768

Deposits

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

Investments

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

Note 6 – Taxes

Property Taxes

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.

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Interfund Transfers

For the year ended December 31, 2016, the Village had the following two transfers:

Fund From	Fund To	Amount	Purpose
General Fund	Street Construction, Maintenance and Repair Fund	\$63,000	To provide additional services related to the street department
General Fund	Note Retirement - Fire Station Fund	55,471	To cover debt service costs related to the fire station loans

Note 8 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 equity at December 31, 2016.

Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Sixteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's Police Chief belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of the full-time police member's wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Thirty-two of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Fire Station Loan	\$345,391	3.83%
Consolidated Loan	12,115	2.75%
Pick-up Loan	20,356	2.90%
Ohio Public Works Commission Loan CM02B	13,272	0%
Ohio Public Works Commission Loan CM09A	4,565	0%
Ohio Public Works Commission Loan CT42E	4,207	0%
Ohio Public Works Commission Loan CM10H	16,921	0%
Ohio Public Works Commission Loan CM08N	6,381	0%
Ohio Public Works Commission Loan CT38O	1,002,946	0%
Ohio Water Development Authority Loan #5669	118,637	0%
Ohio Water Development Authority Loan #6342	316,873	0%
Total	\$1,861,664	

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

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

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

The Ohio Public Works Commission (OPWC) loan CM02B 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.

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

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

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

The Ohio Public Works Commission (OPWC) loan CT380 wastewater treatment lagoon was obtained for the construction of a new wastewater treatment lagoon. The original loan amount authorized from OPWC to the Village for this project was \$2,032,750. The loan was closed in October 2014 resulting in a balance of \$1,074,585. The loan is being repaid in semiannual principal installments of \$17,910 over 30 years beginning in 2014.

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

The Ohio Water Development Authority (OWDA) wastewater treatment plant loan #6342 was obtained for the repayment of OWDA planning loans #4731 and #4983 and for the construction of the new wastewater treatment plant. The loan will be repaid in semiannual principal installments of \$9,054 over 20 years beginning in 2017.

Village of Continental
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Amortization

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

Year Ending December 31:	Fire Station Loan	Consolidated Loan	Pick-Up Loan	OPWC Loans	OWDA Loans
2017	\$35,000	\$12,296	\$8,195	\$44,835	\$26,581
2018	35,000		8,195	44,834	26,581
2019	35,000		4,781	43,921	26,581
2020	35,000			38,584	26,581
2021	35,000			38,583	26,581
2022-2026	175,000			190,656	132,906
2027-2031	87,986			181,224	124,431
2032-2036				179,098	45,268
2037-2041				179,098	
2042-2045				107,459	
Total	<u>\$437,986</u>	<u>\$12,296</u>	<u>\$21,171</u>	<u>\$1,048,292</u>	<u>\$435,510</u>

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund include various donations/contributions, reimbursements for health insurance and other expenses, and refunds from the Ohio Bureau of Workers Compensation.

Note 14 – Subsequent Events

In August 2017, the Village was awarded a \$450,000 Neighborhood Revitalization grant through the Community Development Program Competitive Set-Aside. This award will be passed through Putnam County, who will also contribute \$50,000 to the Village's neighborhood revitalization project. The Village has two years to complete this project.



Dave Yost • Auditor of State

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

Village of Continental
Putnam County
100 North Main Street
P.O. Box 447
Continental, Ohio 45831-0447

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Continental, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 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, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 12, 2018

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The following errors were noted in the Village's financial statements and footnotes:

- Fund balance related to appropriations in excess of estimated receipts within the General Fund of \$127,322 in 2017 and \$182,282 in 2016 was recorded as Unassigned rather than Assigned as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod 1800.176;
- A portion of the General Fund balance restricted to fire department disbursements in accordance with the contract with Monroe Township was classified as Unassigned rather than Restricted as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod 1800.165-.179. This portion amounted to \$24,972 in 2017 and \$44,551 in 2016;
- Debt Service fund balance of \$78,337 in 2017 and \$81,316 in 2016 was recorded as Restricted rather than Committed as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod 1800.165-.179;
- Charges for services receipts of \$32,521 in 2017 and \$55,471 in 2016 from fire contracts that were intended for payments on fire department loans were recorded within the Note Retirement - Fire Station Fund as charges for services. The full amount received should have been recorded within the General Fund. Amounts intended for debt service purposes should have been subsequently transferred out of the General Fund and into the Note Retirement – Fire Station Fund;

Additional errors were noted in smaller relative amounts. These errors were not identified and corrected prior to the Village preparing its financial statements and footnotes due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and footnotes have been adjusted to correct these errors. Failing to prepare accurate financial statements could lead to Council or the financial statement user to make misinformed decisions.

To help ensure the Village's financial statements and footnotes are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and footnotes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on GASB Statement No. 54.

Officials' Response:

- The Fiscal Officer tried to get clarity on how to classify the Fire Department contractual money within the General Fund; she will restrict the Fire Department balances on the 2018 Financial Report.
- The Fire Department Debt Service Fund was classified as Restricted because it has "Constraints placed on the use of resources either (a) externally imposed by creditors (such as through debt covenants). [GASB54 P10] However, according to this Audit it should be classified as Committed so the Fiscal Officer will follow the recommendation.
- The Fiscal Officer will follow the advice of this audit and receipt the total into the General Fund and then transfer it over to the Debt Service Fund.
- The Fiscal Officer does give Council Year End Reports to review. However, Council does not receive training and does not always know what they are seeing.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) provides, in part, that except as provided in divisions (G) and (H) of this section, if a permanent improvement of the subdivision is sold, the amount received from the sale shall be paid into a sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements.

The Village inappropriately recorded \$3,250 and \$1,725 in 2017 and 2016, respectively, of sale of capital asset receipts in the General Fund. Given the source of the receipts, these should have been recorded in a Capital Project fund for permanent improvements. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors or irregularities. The Village should implement control to help ensure all transactions are reviewed to help ensure posting to proper funds.

Officials' Response:

The Fiscal Officer established the fund at the most recent Council meeting (10/9/2018) and will amend the Village's estimated resources to reflect the sale of land (\$3,250) and the sale of a used pumper truck from the fire department (\$1,725).

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding was first reported during the audit of the 2012-2013 financial statements. Ohio Rev. Code §5705.41(B) for disbursements in excess of appropriations.	Fully corrected.	
2015-002	Material Weakness for errors in fund balance classifications in accordance with GASB 54.	Not corrected and included in Finding 2017-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and AOS Bulletin 2011-004 prior to filing the Village's annual report. The Village is implementing procedures to correct these errors for the future.

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Dave Yost • 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
NOVEMBER 8, 2018