



**Auditor of State
Betty Montgomery**

VILLAGE OF CONTINENTAL
PUTNAM COUNTY

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**Auditor of State
Betty Montgomery**

Village of Continental
Putnam County
100 North Main Street
P.O. Box 447
Continental, Ohio 45831-0477

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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 18, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Continental
Putnam County
100 North Main Street
P.O. Box 447
Continental, Ohio 45831-0477

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, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 October 18, 2005, 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.



Betty Montgomery
Auditor of State

October 18, 2005

**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, 2004**

	<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 Tax and Other Local Taxes	\$63,314	\$69,177			\$132,491
Intergovernmental Receipts	161,245	59,558	\$55,750	\$15,000	291,553
Charges for Services	41,265	2,400			43,665
Fines, Licenses, and Permits	4,018	103			4,121
Earnings on Investments	1,505				1,505
Miscellaneous	1,151	2,185			3,336
	<u>272,498</u>	<u>133,423</u>	<u>55,750</u>	<u>15,000</u>	<u>476,671</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	80,567	79,244			159,811
Basic Utility Services	19,900				19,900
Transportation	30,438	54,653			85,091
General Government	198,612	1,725			200,337
Debt Service:					
Principal Payments		647			647
Interest Payments			5,522		5,522
Capital Outlay	14,468	18,507		553,938	586,913
	<u>343,985</u>	<u>154,776</u>	<u>5,522</u>	<u>553,938</u>	<u>1,058,221</u>
Total Receipts Over/(Under) Disbursements	<u>(71,487)</u>	<u>(21,353)</u>	<u>50,228</u>	<u>(538,938)</u>	<u>(581,550)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes				538,938	538,938
Sale of Fixed Assets	1,675				1,675
Transfers-In		13,531			13,531
Advances-In		8,350			8,350
Transfers-Out	(13,531)				(13,531)
Advances-Out	(11,750)				(11,750)
	<u>(23,606)</u>	<u>21,881</u>			<u>537,213</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(95,093)	528	50,228		(44,337)
Fund Cash Balances, January 1	226,904	20,680	66,920		314,504
Fund Cash Balances, December 31	<u>\$131,811</u>	<u>\$21,208</u>	<u>\$117,148</u>		<u>\$270,167</u>
Reserves for Encumbrances, December 31	<u>\$76,306</u>	<u>\$18,725</u>			<u>\$95,031</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, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$265,447
Operating Cash Disbursements:	
Personal Services	73,330
Fringe Benefits	25,961
Contractual Services	35,994
Supplies and Materials	35,705
Other	2,841
Capital Outlay	13,218
Total Operating Cash Disbursements	187,049
Operating Income	78,398
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	15,712
Earnings on Investments	27
Sale of Fixed Assets	575
Other Non-Operating Receipts	2,739
Total Non-Operating Cash Receipts	19,053
Non-Operating Cash Disbursements:	
Redemption of Principal	30,076
Interest and Fiscal Charges	7,977
Total Non-Operating Cash Disbursements	38,053
Excess of Receipts Over Disbursements Before Interfund Advances	59,398
Advances-In	3,400
Net Receipts Over Disbursements	62,798
Fund Cash Balances, January 1	115,335
Fund Cash Balances, December 31	\$178,133
Reserve for Encumbrances, December 31	\$1,471

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, 2003**

	<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 Tax and Other Local Taxes	\$60,341	\$65,651			\$125,992
Intergovernmental Receipts	78,597	52,095	\$43,743	\$76,383	250,818
Charges for Services	40,956				40,956
Fines, Licenses, and Permits	2,638	110			2,748
Earnings on Investments	4,446				4,446
Miscellaneous	3,809	1,610			5,419
	<u>190,787</u>	<u>119,466</u>	<u>43,743</u>	<u>76,383</u>	<u>430,379</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	32,494	85,584			118,078
Basic Utility Services	18,172				18,172
Transportation	23,514	39,104			62,618
General Government	106,913	1,915			108,828
Debt Service:					
Principal Payments		647	16,012		16,659
Interest Payments			460		460
Capital Outlay	72,581	39,822		76,383	188,786
	<u>253,674</u>	<u>167,072</u>	<u>16,472</u>	<u>76,383</u>	<u>513,601</u>
Total Receipts Over/(Under) Disbursements	<u>(62,887)</u>	<u>(47,606)</u>	<u>27,271</u>		<u>(83,222)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes		12,946			12,946
Transfers-In		82		12,295	12,377
Advances-In	15,000	24,791			39,791
Transfers-Out	(21,095)				(21,095)
Advances-Out	(63,250)			(15,000)	(78,250)
	<u>(69,345)</u>	<u>37,819</u>		<u>(2,705)</u>	<u>(34,231)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(132,232)	(9,787)	27,271	(2,705)	(117,453)
Fund Cash Balances, January 1	<u>359,136</u>	<u>30,467</u>	<u>39,649</u>	<u>2,705</u>	<u>431,957</u>
Fund Cash Balances, December 31	<u>\$226,904</u>	<u>\$20,680</u>	<u>\$66,920</u>		<u>\$314,504</u>
Reserves for Encumbrances, December 31	<u>\$57,855</u>	<u>\$23,082</u>			<u>\$80,937</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, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$261,141
Operating Cash Disbursements:	
Personal Services	60,116
Fringe Benefits	23,082
Contractual Services	47,833
Supplies and Materials	34,507
Other	2,349
Capital Outlay	50,484
Total Operating Cash Disbursements	218,371
Operating Income	42,770
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	16,690
Earnings on Investments	25
Other Non-Operating Receipts	286
Total Non-Operating Cash Receipts	17,001
Non-Operating Cash Disbursements:	
Redemption of Principal	49,826
Interest and Fiscal Charges	10,959
Total Non-Operating Cash Disbursements	60,785
Excess of Disbursements Over Receipts Before Interfund Transfers and Advances	(1,014)
Transfers-In	8,718
Advances-In	38,459
Net Receipts Over Disbursements	46,163
Fund Cash Balances, January 1	69,172
Fund Cash Balances, December 31	\$115,335
Reserve for Encumbrances, December 31	\$6,964

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, 2004 AND 2003**

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 governs the Village. The Village provides water and sewer utilities, fire protection, and police services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 fund reports.

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 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, 2004 AND 2003
(Continued)**

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

Police Fund - This fund receives 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 – 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:

Issue II Sewer Project Fund - This fund receives Issue II proceeds in the form of a grant from the Ohio Public Works Commission. The proceeds are being used for street improvements.

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.

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. 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.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$428,596	\$158,012
STAR Ohio	19,704	271,827
Total deposits and investments	<u>\$448,300</u>	<u>\$429,839</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,813	\$274,173	\$54,360
Special Revenue	241,388	146,954	(94,434)
Debt Service	35,000	55,750	20,750
Capital Projects		553,938	553,938
Enterprise	427,300	284,500	(142,800)
Total	<u>\$923,501</u>	<u>\$1,315,315</u>	<u>\$391,814</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$497,527	\$433,822	\$63,705
Special Revenue	218,536	173,501	45,035
Debt Service	10,000	5,522	4,478
Capital Projects	538,938	553,938	(15,000)
Enterprise	276,708	226,573	50,135
Total	<u>\$1,541,709</u>	<u>\$1,393,356</u>	<u>\$148,353</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$208,949	\$190,787	(\$18,162)
Special Revenue	226,891	132,494	(94,397)
Debt Service	35,000	43,743	8,743
Capital Projects	15,000	88,678	73,678
Enterprise	457,462	286,860	(170,602)
Total	<u>\$943,302</u>	<u>\$742,562</u>	<u>(\$200,740)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$487,606	\$332,624	\$154,982
Special Revenue	219,455	190,154	29,301
Debt Service	19,000	16,472	2,528
Capital Projects	76,383	76,383	
Enterprise	381,929	286,120	95,809
Total	<u>\$1,184,373</u>	<u>\$901,753</u>	<u>\$282,620</u>

The Village failed to certify some expenditures.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

There were 16 instances for which actual expenditures exceeded approved appropriations at the object level of control at November 30, 2004 in amounts ranging from \$53 to \$652,332 and 10 instances at November 30, 2003 in amounts ranging from \$148 to \$160,593. In addition, the following funds had expenditures in excess of appropriations at year end:

<u>December 31, 2004</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
Capital Projects Issue II		\$15,000	(\$15,000)

Appropriations exceeded estimated revenue certified as available by the budget commission in the following funds at year end:

<u>December 31, 2004</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
Police Fund	\$79,130	\$105,700	(\$26,570)
Fire Station Construction Fund		538,938	(538,938)
Sewer Operating Fund	83,252	85,400	(2,148)
 <u>December 31, 2003</u>			
Street Construction Maintenance and Repair	\$49,589	\$50,194	(\$605)
Sewer Operating Fund	93,473	110,670	(17,197)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Bonds	\$48,000	5.00%
Fire Station Construction Loan	538,938	3.00%
Ohio Public Works Commission - Various Street Projects	11,651	0.00%
Ohio Public Works Commission - Sewer	64,147	0.00%
Ohio Public Works Commission - Water	25,567	0.00%
Total	<u>\$688,303</u>	

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

The Special Assessment Bonds were issued in 1981 to fund the cost of improving the municipal waterworks system. Special assessments were levied to pay the property owners portion of the cost. The bonds are paid in annual installments with the final payment to be made in the year 2007.

The Fire Station Construction loan was obtained to construct a new Fire Station for the Village. The construction loan is due in 2005.

The Ohio Public Works Commission (OPWC) sewer loan to the construction and installation of new sanitary sewers and storm sewers, while utilizing the old combined system. The loan is being repaid in semiannual principal installments of \$2,212 over 20 years beginning in 1999.

The Ohio Public Works Commission (OPWC) water treatment loan related 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) 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.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Special Assessment Bond	Fire Station Construction Loan	OPWC - Various Street Projects	OPWC - Sewer Loan	OPWC Water Treatment Loan
2005	\$18,400	\$544,417	\$647	\$4,424	\$1,826
2006	17,600		647	4,424	1,826
2007	16,800		647	4,424	1,826
2008			647	4,424	1,826
2009			647	4,424	1,826
2010-2014			3,235	22,120	9,130
2015-2019			3,235	19,907	7,307
Subsequent			1,946		
Total	<u>\$52,800</u>	<u>\$544,417</u>	<u>\$11,651</u>	<u>\$64,147</u>	<u>\$25,567</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

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

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' Equity	<u><u>\$4,457,714</u></u>	<u><u>\$3,531,044</u></u>

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

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**Auditor of State
Betty Montgomery**

**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
100 North Main Street
P.O. Box 447
Continental, Ohio 45831-0477

To the Village Council:

We have audited the financial statements of the Village of Continental, Putnam County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 18, 2005, 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 that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001, 2004-002, 2004-003, and 2004-004. In a separate letter to the Village's management dated October 18, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 18, 2005

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery Repaid Under Audit

Ohio Revised Code § 731.12 states that no member of the legislative authority of a village shall hold any other public office, be interested in any contract with the village, or hold employment with said village, except that such member may be a notary public, a member of the state militia, or a volunteer fireman of said village, provided that member shall not receive any compensation for his services as a volunteer fireman of the village in addition to his regular compensation as a member of the legislative authority. During 2003 and 2004 the following Members of the Village Council, in addition to their regular Council compensation, received the following compensation for their services as volunteer fireman: Earnest Bragg (\$184.50), Kenneth Williamson (\$486), Toby Sullivan (\$484.50), and Dennis Potts II (\$231.00). These payments totaling \$1,386 were issued by Susan Gibbs, Village Clerk. Additionally, Ohio Revised Code § 102.04(C) has similar prohibitions regarding compensation of elected officials.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Village Council Member, Earnest Bragg, Village Clerk, Susan Gibbs, and her surety company, the Ohio Government Risk Management Plan, jointly and severally in the amount of \$184.50 in favor of the General Fund.

Mr. Bragg repaid \$184.50 to the Village on October 18, 2005.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Village Council Member, Kenneth Williamson, Village Clerk, Susan Gibbs, and her surety company, the Ohio Government Risk Management Plan, jointly and severally in the amount of \$486 in favor of the General Fund.

Mr. Williamson repaid \$486 to the Village on October 18, 2005.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Village Council Member, Toby Sullivan, Village Clerk, Susan Gibbs, and her surety company, the Ohio Government Risk Management Plan, jointly and severally in the amount of \$484.50 in favor of the General Fund.

Mr. Sullivan repaid \$484.50 to the Village on October 18, 2005.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Village Council Member, Dennis Potts II, Village Clerk, Susan Gibbs, and her surety company, the Ohio Government Risk Management Plan, jointly and severally in the amount of \$231 in favor of the General Fund.

Mr. Potts repaid \$231 to the Village on October 18, 2005.

This matter will be referred to the Ohio Ethics Commission.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- a. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

- b. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- c. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds

**FINDING NUMBER 2004-002
(Continued)**

being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Clerk. We also recommend the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk, and recorded against appropriations.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Revised Code § 5705.40 allows appropriations to be amended or supplemented as long as the amendments are approved in the same manner as the original appropriations. The Clerk amended appropriations without obtaining Council approval. This caused expenditures to exceed approved appropriations as listed below, which is contrary to Ohio Revised Code § 5705.41(B) which states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

There were 16 instances for which actual expenditures exceeded approved appropriations at the object level of control at November 30, 2004 in amounts ranging from \$53 to \$652,332 and 10 instances at November 30, 2003 in amounts ranging from \$148 to \$160,593. In addition, the following funds had expenditures in excess of appropriations at year end:

<u>December 31, 2004</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
Capital Projects Issue II		\$15,000	(\$15,000)

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

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Revised Code § 5705.39 provides in part that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in the case of tax appeal, by the board of tax appeals. Appropriations exceeded estimated revenue certified as available by the budget commission in the following funds at year end:

<u>December 31, 2004</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
Police Fund	\$79,130	\$105,700	(\$26,570)
Fire Station Construction Fund		538,938	(538,938)
Sewer Operating Fund	83,252	85,400	(2,148)
<u>December 31, 2003</u>			
Street Construction Maintenance and Repair	\$49,589	\$50,194	(\$605)
Sewer Operating Fund	93,473	110,670	(17,197)

**FINDING NUMBER 2004-004
(Continued)**

We recommend the Village compare planned appropriations to estimated resources prior to approving or amending appropriations and either reduce the planned appropriations or amend estimated resources as needed to avoid approving appropriations in excess of estimated resources.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC § 5705.40 amending appropriations	No	The finding has not been corrected and is repeated in this report as finding 2004-003.
2002-002	ORC § 5705.41 (D) failure to certify funds	No	The finding has not been corrected and is repeated in this report as finding 2004-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**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 10, 2005**