



Dave Yost • Auditor of State

VILLAGE OF CONTINENTAL
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010.....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2010.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings	27

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Dave Yost • Auditor of State

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

To the Members of Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 11, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the Village of Continental, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Continental, Putnam County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1.F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, 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.



Dave Yost
Auditor of State

December 11, 2012

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$62,712	\$99,107			\$161,819
Intergovernmental	73,031	86,647		\$93,569	253,247
Charges for Services	53,608		\$46,193		99,801
Fines, Licenses and Permits	3,219	204			3,423
Earnings on Investments	261	20			281
Miscellaneous	12,820	953			13,773
<i>Total Cash Receipts</i>	<u>205,651</u>	<u>186,931</u>	<u>46,193</u>	<u>93,569</u>	<u>532,344</u>
Cash Disbursements					
Current:					
Security of Persons and Property	124,550	107,126			231,676
Basic Utility Services	8,191				8,191
Transportation		68,634			68,634
General Government	84,163	3,539			87,702
Capital Outlay	208,364	7,603		105,782	321,749
Debt Service:					
Principal Retirement	6,500	6,092	12,054		24,646
Interest and Fiscal Charges	186	1,498	22,946		24,630
<i>Total Cash Disbursements</i>	<u>431,954</u>	<u>194,492</u>	<u>35,000</u>	<u>105,782</u>	<u>767,228</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(226,303)</u>	<u>(7,561)</u>	<u>11,193</u>	<u>(12,213)</u>	<u>(234,884)</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds	272,117	7,837		8,508	288,462
Transfers In		17,000			17,000
Transfers Out	(17,000)				(17,000)
Advances In	20,500				20,500
Other Financing Uses	(171)				(171)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>275,446</u>	<u>24,837</u>		<u>8,508</u>	<u>308,791</u>
<i>Net Change in Fund Cash Balances</i>	49,143	17,276	11,193	(3,705)	73,907
<i>Fund Cash Balances, January 1</i>	<u>60,545</u>	<u>105,177</u>	<u>88,625</u>	<u>5,634</u>	<u>259,981</u>
Fund Cash Balances, December 31					
Restricted		122,453	99,818	1,929	224,200
Unassigned	109,688				109,688
<i>Fund Cash Balances, December 31</i>	<u>\$109,688</u>	<u>\$122,453</u>	<u>\$99,818</u>	<u>\$1,929</u>	<u>\$333,888</u>

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$304,001		\$304,001
Operating Cash Disbursements			
Personal Services	52,637		52,637
Employee Fringe Benefits	22,587		22,587
Contractual Services	197,834		197,834
Supplies and Materials	46,766		46,766
Other	2,730		2,730
<i>Total Operating Cash Disbursements</i>	<u>322,554</u>		<u>322,554</u>
<i>Operating Loss</i>	<u>(18,553)</u>		<u>(18,553)</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	175		175
Debt Proceeds	155,089		155,089
Miscellaneous Receipts	2,142		2,142
Capital Outlay	(11,945)		(11,945)
Principal Retirement	(75,602)		(75,602)
Interest and Other Fiscal Charges	(1,138)		(1,138)
Other Non-Operating Receipts		8,000	8,000
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>68,721</u>	<u>8,000</u>	<u>76,721</u>
<i>Income Before Advances</i>	50,168	8,000	58,168
Advances Out	(20,500)		(20,500)
<i>Net Change in Fund Cash Balances</i>	29,668	8,000	37,668
<i>Fund Cash Balances, January 1</i>	<u>281,863</u>		<u>281,863</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$311,531</u></u>	<u><u>\$8,000</u></u>	<u><u>\$319,531</u></u>

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$76,303	\$103,913			\$180,216
Intergovernmental	135,663	89,586			225,249
Charges for Services	67,101		\$56,060		123,161
Fines, Licenses and Permits	3,533	235			3,768
Earnings on Investments	312	26			338
Miscellaneous	1,980	692			2,672
<i>Total Cash Receipts</i>	<u>284,892</u>	<u>194,452</u>	<u>56,060</u>		<u>535,404</u>
Cash Disbursements					
Current:					
Security of Persons and Property	108,164	105,575			213,739
Basic Utility Services	9,579				9,579
Transportation		64,318			64,318
General Government	124,671	3,104			127,775
Capital Outlay	799			\$4,515	5,314
Debt Service:					
Principal Retirement	6,500	2,761	11,184		20,445
Interest and Fiscal Charges	490	1,000	23,816		25,306
<i>Total Cash Disbursements</i>	<u>250,203</u>	<u>176,758</u>	<u>35,000</u>	<u>4,515</u>	<u>466,476</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>34,689</u>	<u>17,694</u>	<u>21,060</u>	<u>(4,515)</u>	<u>68,928</u>
Other Financing Receipts (Disbursements)					
Transfers In		10,000			10,000
Transfers Out	(10,000)				(10,000)
Advances In	32,000				32,000
Advances Out	(52,500)				(52,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,500)</u>	<u>10,000</u>			<u>(20,500)</u>
<i>Net Change in Fund Cash Balances</i>	4,189	27,694	21,060	(4,515)	48,428
<i>Fund Cash Balances, January 1 (As Restated)</i>	<u>56,356</u>	<u>77,483</u>	<u>67,565</u>	<u>10,149</u>	<u>211,553</u>
<i>Fund Cash Balances, December 31</i>	<u>\$60,545</u>	<u>\$105,177</u>	<u>\$88,625</u>	<u>\$5,634</u>	<u>\$259,981</u>
Reserve for Encumbrances, December 31	<u>\$7,234</u>	<u>\$8,085</u>		<u>\$132</u>	<u>\$15,451</u>

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$288,290
Operating Cash Disbursements	
Personal Services	57,948
Employee Fringe Benefits	19,378
Contractual Services	197,404
Supplies and Materials	43,617
Other	2,950
<i>Total Operating Cash Disbursements</i>	321,297
<i>Operating Loss</i>	(33,007)
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	108
Debt Proceeds	208,192
Miscellaneous Receipts	3,133
Capital Outlay	(140,314)
Principal Retirement	(20,056)
Interest and Other Fiscal Charges	(1,022)
<i>Total Non-Operating Receipts (Disbursements)</i>	50,041
<i>Income Before Advances</i>	17,034
Advances In	52,500
Advances Out	(32,000)
<i>Net Change in Fund Cash Balances</i>	37,534
<i>Fund Cash Balances, January 1 (As Restated)</i>	244,329
<i>Fund Cash Balances, December 31</i>	\$281,863
Reserve for Encumbrances, December 31	\$16,627

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, 2011 AND 2010**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and police services. The Village appropriates General Fund money to support a volunteer fire department.

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 30, 2011 and 2010.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Community Development Block Grant (CDBG) Fund – This fund received grant monies through the CDBG Formula Program which were used for a street paving project.

Sanitary Sewer Improvement Fund – This fund accounts for grant funds from the State received and spent on behalf of the Village to help with the costs of a sanitary sewer project.

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 Operating Fund - This fund receives charges for services revenue from residents of the Village to cover water service costs.

Sewer Operating Fund - This fund receives charges for services revenue from residents of the Village to cover sanitary sewer service costs.

6. Fiduciary Funds

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which had no effect on fund balances. Under GASB No. 54 fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Restatement of Fund Balances

In 2010, the Village made fund balance restatements to 1) correct a prior year misclassification of revenue and 2) correct fund balances due to voiding six checks totaling \$4,394 which became stale dated. These restatements had the following effect on the December 31, 2009 fund balances as previously reported:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Fund balance at December 31, 2009 as previously reported	\$60,253	\$70,343	\$243,178
Fund balance effect of reclassification of revenue	(4,079)	4,079	
Fund balance effect of voided stale dated checks	182	3,061	1,151
Restated fund balance at January 1, 2010	<u>\$56,356</u>	<u>\$77,483</u>	<u>\$244,329</u>

3. Equity in Pooled Deposits and Investments

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$639,636	\$528,068
STAR Ohio	13,783	13,776
Total deposits and investments	<u>\$653,419</u>	<u>\$541,844</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 are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$483,521	\$477,768	(\$5,753)
Special Revenue	259,192	211,768	(47,424)
Debt Service	55,000	46,193	(8,807)
Capital Projects	85,077	102,077	17,000
Enterprise	689,403	461,407	(227,996)
Total	<u>\$1,572,193</u>	<u>\$1,299,213</u>	<u>(\$272,980)</u>

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$493,503	\$451,147	\$42,356
Special Revenue	236,647	197,458	39,189
Debt Service	35,000	35,000	
Capital Projects	107,711	105,782	1,929
Enterprise	667,121	427,094	240,027
Total	\$1,539,982	\$1,216,481	\$323,501

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$249,138	\$284,892	\$35,754
Special Revenue	206,199	204,452	(1,747)
Debt Service	37,000	56,060	19,060
Enterprise	755,625	499,723	(255,902)
Total	\$1,247,962	\$1,045,127	(\$202,835)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$317,018	\$267,437	\$49,581
Special Revenue	205,697	184,843	20,854
Debt Service	35,556	35,000	556
Capital Projects	10,149	4,647	5,502
Enterprise	887,613	499,316	388,297
Total	\$1,456,033	\$991,243	\$464,790

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Note	\$431,354	5.20%
Backhoe Note	26,300	5.95%
Dump Truck Note	25,205	3.90%
Fire Truck Note	75,179	2.25%
Ohio Public Works Commission - Various Street Projects	7,120	0.00%
Ohio Public Works Commission - Water	12,783	0.00%
Ohio Public Works Commission - Sewer (1998)	33,179	0.00%
Ohio Public Works Commission - Sewer (2005)	24,536	0.00%
Ohio Public Works Commission - Lakeland	8,295	0.00%
Ohio Water Development Authority - Water Pollution Control Loan	20,000	0.00%
Ohio Water Development Authority - Sewer Loan	158,183	0.00%
Ohio Water Development Authority - Waterline Loan	153,949	0.00%
Sewer Revenue Note	175,000	2.75%
Total	<u>\$1,151,083</u>	

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

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

The Dump Truck Note was obtained for the purpose of purchasing a new dump truck for the Village. The loan is being repaid in monthly payments of \$547 of principal and accrued interest over 5 years beginning in 2011.

The Fire Truck Note was obtained for the purpose of purchasing a new fire truck for the Village. The loan is being repaid in semiannual payments of \$7,988 of principal and accrued interest over 5 years beginning in 2012.

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

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

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

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (Continued)

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

The Ohio Water Development Authority (OWDA) sewer loan (#4983) was obtained for the wastewater systems improvement design at the Village. The loan is being repaid in semiannual principal installments of \$21,883 over 5 years beginning in 2011. This loan has not been officially closed (still in "active" status) and a final amortization schedule is unavailable and therefore is not included in the accompanying amortization schedule.

The Ohio Water Development Authority (OWDA) waterline loan (#5669) was obtained for the waterline replacement at the Village. The loan is being repaid in semiannual principal installments of \$5,033 over 20 years beginning in 2011. The project has not been completed and the loan has not been officially closed (still in "active" status). A final amortization schedule is unavailable and therefore is not included in the accompanying amortization schedule.

The Sewer Revenue Note was obtained for the purpose of acquiring land. The note had an interest rate of 2.75% and matures on March 26, 2012.

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

Year ending December 31:	OPWC Loans	OWDA Loan No. 4731	General Obligation Notes
2012	\$9,014	\$10,000	\$63,768
2013	9,015	10,000	63,770
2014	9,014		63,769
2015	9,015		63,769
2016	9,014		57,525
2017-2021	28,538		175,000
2022-2026	10,389		175,000
2027-2031	1,914		172,139
Total	\$85,913	\$20,000	\$834,740

7. Retirement Systems

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The Village participates in this coverage.

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Village does not participate participates in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

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

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental fund types are presented below:

Fund Balances	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	
Restricted for					
Road Maintenance and Improvements		\$12,366			\$12,366
Street Light Operation and Maintenance		26,672			26,672
Police Operations		83,415			83,415
Debt Service			\$99,818		99,818
Capital Projects				\$1,929	1,929
<i>Total Restricted</i>		<u>122,453</u>	<u>99,818</u>	<u>1,929</u>	<u>224,200</u>
Unassigned	\$109,688				109,688
<i>Total Fund Balances</i>	<u>\$109,688</u>	<u>\$122,453</u>	<u>\$99,818</u>	<u>\$1,929</u>	<u>\$333,888</u>

10. Subsequent Events

On October 1, 2012, the Village received notification from the Ohio Public Works Commission (OPWC) of approval of financial assistance for the Village's Wastewater Treatment Facility/Lagoon Project. The Village was approved for a 0% interest rate loan in the amount of \$2,032,750 to be repaid over 30 years. Additionally, the Village was approved for \$500,000 in OPWC grant monies for this project.

On November 13, 2012, the Village awarded the contract for the Wastewater Treatment Facility/Lagoon Project to Miller Contracting Group, Inc. of Ottoville, Ohio, the lowest and best bidder, in the amount of \$2,164,585

11. Compliance

Contrary to Ohio law, \$8,000 in insurance fire claim monies were incorrectly recorded in the General Fund instead of a separate Agency fund.

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

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

To the Members of Council:

We have audited the financial statements of the Village of Continental, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 11, 2012 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 and the Village adopted GASB Statement No. 54 in 2011. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 11, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

December 11, 2012

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 5705.10(D), requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose.

In 2011, \$8,000 in insurance fire claim monies were incorrectly recorded in the General Fund instead of a separate Agency fund. The Village is required by law to hold these demolition "holdback" monies for the Village resident until the property involved in the fire claim filed with the insurance company has been satisfactorily demolished or repaired.

As a result, the Village's accounting ledgers and financial statements did not correctly reflect the financial activity of the Village. The financial statements and accounting records have been adjusted to these transactions are reflected in the proper funds.

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

We recommend all financial transactions be included in the proper fund and account codes as specified in the Village Officers' Handbook issued by the Auditor of State.

FINDING NUMBER 2011-002

Material Weakness - Monitoring of Financial Transactions

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

While the Village Council does review all expenditures, there was no evidence of the extent to which Council reviewed other financial information to monitor financial activity, including review of monthly bank reconciliations, detailed revenue or disbursement ledgers, budgetary reports, fund balance reports, or invoices on a regular basis. This information provides important data necessary to manage Village operations.

**FINDING NUMBER 2011-002
(Continued)**

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements. We noted posting errors, including the following:

- Incorrect classification of electric deregulation and personal property tax phase-out reimbursement monies from the State as tax revenue instead of intergovernmental revenue, in 2010 in the amount of \$2,056 and \$10,280 in the Special Revenue Street Lights Fund and Police Fund respectively, and similarly in 2011 in the amount of \$1,862 and \$8,688 in the Special Revenue Street Lights Fund and Police Fund, respectively.
- Incorrect classification of quarterly utility collections as intergovernmental revenue instead of charges for services revenue in 2011 in the amount of \$17,072 in the Enterprise Sewer Operating Fund.
- In 2011, the Village was the beneficiary of \$17,000 in Community Development Block Grant (CDBG) money sent directly to the vendor. The Village did not book the receipt and disbursement activity for this CDBG grant and therefore, were not reflected in the Village's financial statements

Adjusting entries were posted to the Village's financial statements and accounting records to correct these posting errors.

In order to ensure the financial activity of the Village is being properly accounted for and bills are being paid on time, we recommend the Council review invoices and financial reports, including monthly bank reconciliations, detailed revenue and disbursement ledgers, budgetary reports, and fund balance reports, on a frequent basis, perhaps monthly. The documents should be reviewed, initialed, and approved in the minutes. Council should also review the annual financial statements prepared by the Fiscal Officer for accuracy and completeness. In addition, we recommend the Fiscal Officer follow guidelines of Auditor of State Bulletin 2000-008 which describes accounting for cash basis local governments' participation in on behalf grants.

FINDING NUMBER 2011-003

Material Weakness – Estimated Revenue Postings

Estimated revenues posted to the Village's accounting system should be based on amounts formally reviewed and approved by Council. Estimated revenues as approved by and certified by the County Budget Commission and reflected in the amended certificate(s) of estimated resources at December 31, 2011 and 2010 differed from posted estimated revenue amounts, in various funds as follows:

**FINDING NUMBER 2011-003
(Continued)**

<u>Fund</u>	<u>Approved Estimated Revenues</u>	<u>Posted Estimated Revenues</u>	<u>Difference Over/(Under)</u>
For the year ended December 31, 2011:			
General Fund	\$483,521	\$506,450	\$25,929
Street, Construction, Maintenance, and Repair Fund	79,668	94,668	15,000
Police Fund	131,790	97,790	(34,000)
Fire Station Note Retirement Fund	55,000	37,700	(17,300)
Water Operating Fund	230,304	175,294	(55,010)
Sewer Operating Fund	350,649	227,366	(123,283)
Sewer Debt Fund	103,450	82,000	(21,450)
For the year ended December 31, 2010:			
General Fund	\$249,138	\$293,000	\$43,862
Street, Construction, Maintenance, and Repair Fund	85,620	70,000	(15,620)
Street Lights Fund	19,750	22,000	2,250
Police Fund	96,522	110,000	13,478
Fire Station Note Retirement Fund	37,000	56,000	19,000
Water Operating Fund	150,000	289,000	139,000
Sewer Operating Fund	547,825	187,600	(360,225)

Inaccurate budgetary amounts hinder Council's ability to monitor the Village's financial condition when reviewing budgetary reports. Inaccurate budgetary amounts could also cause appropriations to exceed estimated resources and deficit spending.

The Fiscal Officer should only post approved and accurate budgetary amounts to the accounting system. Estimated revenue postings to the Village's accounting system should be based on amounts officially approved and certified on the amended certificate(s) of estimated resources. Council's review of budgetary reports should include a comparison of posted amounts to the amended certificates, resolutions, and minutes for approved amounts.

Officials' Response:

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

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**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code §§ 5705.38, .40, and .41(B) for changing appropriations without Council approval, which resulted in expenditures in excess of appropriations.	No	Partially corrected. Reissued as a Management Letter comment.
2009-002	Ohio Revised Code § 5705.10 for monies credited to improper funds and for a deficit balance.	No	Not corrected. Reissued in this report as Finding 2011-001.
2009-003	Ohio Revised Code § 731.14 for not properly awarding a contract utilizing competitive bidding procedures.	Yes	
2009-004	Material Weakness for improved monitoring of financial activity.	No	Not corrected. Reissued in this report as Finding 2011-002.

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VILLAGE OF CONTINENTAL

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2012