



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF CONTINENTAL  
PUTNAM COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Village Council:

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 21, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Continental, Putnam County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 governments 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, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Continental, Putnam County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

June 21, 2007



**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, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$73,331	\$80,572			\$153,903
Intergovernmental Receipts	124,181	76,955		\$14,536	215,672
Charges for Services	58,069		\$46,762		104,831
Fines, Licenses, and Permits	4,199	142			4,341
Earnings on Investments	2,403				2,403
Miscellaneous	2,154	118			2,272
	<u>264,337</u>	<u>157,787</u>	<u>46,762</u>	<u>14,536</u>	<u>483,422</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	89,275	77,002			166,277
Basic Utility Services	24,236				24,236
Transportation	25,095	52,057			77,152
General Government	120,672	1,923		118,898	241,493
Debt Service:					
Principal Payments		822	633,699		634,521
Interest Payments		85	12,398		12,483
Capital Outlay		26,577			26,577
	<u>259,278</u>	<u>158,466</u>	<u>646,097</u>	<u>118,898</u>	<u>1,182,739</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,059</u>	<u>(679)</u>	<u>(599,335)</u>	<u>(104,362)</u>	<u>(699,317)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of Debt Issuance		23,337	500,000	35,442	558,779
Transfers-In		18	227		245
Transfers-Out	(394)				(394)
Advances-Out	(4,000)				(4,000)
	<u>(4,394)</u>	<u>23,355</u>	<u>500,227</u>	<u>35,442</u>	<u>554,630</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	665	22,676	(99,108)	(68,920)	(144,687)
Fund Cash Balances, January 1	71,742	2,438	135,283	(19,343)	190,120
<b>Fund Cash Balances, December 31</b>	<u><u>\$72,407</u></u>	<u><u>\$25,114</u></u>	<u><u>\$36,175</u></u>	<u><u>(\$88,263)</u></u>	<u><u>\$45,433</u></u>
Reserves for Encumbrances, December 31	<u><u>\$8,265</u></u>	<u><u>\$72,706</u></u>			<u><u>\$80,971</u></u>

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

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$283,677
<b>Operating Cash Disbursements:</b>	
Personal Services	61,581
Fringe Benefits	19,950
Contractual Services	112,248
Supplies and Materials	38,093
Capital Outlay	3,500
Total Operating Cash Disbursements	235,372
Operating Income	48,305
<b>Non-Operating Cash Receipts:</b>	
Property Tax and Other Local Taxes	13,415
Special Assessments	6,386
Earnings on Investments	138
Proceeds from Debt Issuance	61,531
Other Non-Operating Receipts	13
Total Non-Operating Cash Receipts	81,483
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	26,587
Redemption of Principal	23,271
Interest and Fiscal Charges	1,685
Total Non-Operating Cash Disbursements	51,543
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	78,245
Transfers-In	149
Advances-In	4,000
Net Receipts Over Disbursements	82,394
Fund Cash Balances, January 1	230,633
<b>Fund Cash Balances, December 31</b>	<b>\$313,027</b>
Reserve for Encumbrances, December 31	\$2,993

*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, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$62,509	\$67,308			\$129,817
Intergovernmental Receipts	74,546	63,681	\$35,896	\$155,964	330,087
Charges for Services	67,532	1,667			69,199
Fines, Licenses, and Permits	4,030	187			4,217
Earnings on Investments	1,617				1,617
Miscellaneous	4,894	397			5,291
	<u>215,128</u>	<u>133,240</u>	<u>35,896</u>	<u>155,964</u>	<u>540,228</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	66,363	80,691			147,054
Basic Utility Services	18,509				18,509
Transportation	23,104	55,131			78,235
General Government	133,843	2,091			135,934
Debt Service:					
Principal Payments		647			647
Interest Payments			17,918		17,918
Capital Outlay	36,099	13,473		282,411	331,983
	<u>277,918</u>	<u>152,033</u>	<u>17,918</u>	<u>282,411</u>	<u>730,280</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(62,790)</u>	<u>(18,793)</u>	<u>17,978</u>	<u>(126,447)</u>	<u>(190,052)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of Debt Issuance				107,104	107,104
Sale of Fixed Assets	3,030				3,030
Transfers-In		23	157		180
Transfers-Out	(309)				(309)
	<u>2,721</u>	<u>23</u>	<u>157</u>	<u>107,104</u>	<u>110,005</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(60,069)	(18,770)	18,135	(19,343)	(80,047)
Fund Cash Balances, January 1	131,811	21,208	117,148		270,167
<b>Fund Cash Balances, December 31</b>	<u><b>\$71,742</b></u>	<u><b>\$2,438</b></u>	<u><b>\$135,283</b></u>	<u><b>(\$19,343)</b></u>	<u><b>\$190,120</b></u>
Reserves for Encumbrances, December 31	<u>\$95,252</u>	<u>\$5,631</u>		<u>\$86,326</u>	<u>\$187,209</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, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$261,172
Miscellaneous	129
	261,301
<b>Operating Cash Disbursements:</b>	
Personal Services	68,617
Fringe Benefits	23,225
Contractual Services	65,541
Supplies and Materials	34,088
Capital Outlay	3,465
	194,936
Operating Income	66,365
<b>Non-Operating Cash Receipts:</b>	
Property Tax and Other Local Taxes	14,885
Earnings on Investments	45
	14,930
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	4,274
Debt Service	17,826
Other Non-Operating Cash Disbursements	6,824
	28,924
Excess of Receipts Over Disbursements Before Interfund Transfers	52,371
Transfers-In	129
Net Receipts Over Disbursements	52,500
Fund Cash Balances, January 1	178,133
<b>Fund Cash Balances, December 31</b>	<b>\$230,633</b>
Reserve for Encumbrances, December 31	\$45,723

*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, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Continental, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, fire protection, and police services.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments 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, 2006 AND 2005  
(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 tax monies to fund police services.

**3. Debt Service Funds**

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

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

**4. Capital Project Funds**

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

Lakeland Pump Station and Street Fund – This fund receives contributions from Ohio Public Works Commission to construct a pump station.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

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

**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.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 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>2006</u>	<u>2005</u>
Demand deposits	\$345,737	\$359,924
STAR Ohio	12,723	60,829
Total deposits and investments	<u>\$358,460</u>	<u>\$420,753</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.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$264,337	\$264,337
Special Revenue		181,142	181,142
Debt Service		546,989	546,989
Capital Projects		49,978	49,978
Enterprise		365,309	365,309
Total		\$1,407,755	\$1,407,755

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$364,052	\$267,937	\$96,115
Special Revenue	195,479	231,172	(35,693)
Debt Service	635,000	646,097	(11,097)
Capital Projects	86,326	118,898	(32,572)
Enterprise	248,575	289,908	(41,333)
Total	\$1,529,432	\$1,554,012	(\$24,580)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,099	\$218,158	(\$6,941)
Special Revenue	168,700	133,263	(35,437)
Debt Service	635,000	36,053	(598,947)
Capital Projects		263,068	263,068
Enterprise	298,800	276,360	(22,440)
Total	\$1,327,599	\$926,902	(\$400,697)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$304,781	\$373,479	(\$68,698)
Special Revenue	194,223	157,664	36,559
Debt Service	585,000	17,918	567,082
Capital Projects		368,737	(368,737)
Enterprise	280,122	269,583	10,539
Total	\$1,364,126	\$1,187,381	\$176,745



**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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 April 30. If the property owner elects to pay semiannually, the first half payment is due April 30. The second half payment is due the following September 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, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Bonds	\$16,000	5.00%
Fire Station Note	484,739	5.20%
Ohio Public Works Commission - Various Street Projects	10,357	0.00%
Ohio Public Works Commission - Sewer (1998)	55,299	0.00%
Ohio Public Works Commission - Water	21,915	0.00%
Backhoe Note	46,325	5.95%
Ohio Public Works Commission - Sewer Loan (2005)	32,996	0.00%
Sewer Loan Note	67,399	5.95%
Total	<u>\$735,030</u>	

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 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 Ohio Public Works Commission (OPWC) sewer loan 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) 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.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. DEBT – (CONTINUED)**

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

The Ohio Public Works Commission (OPWC) Sewer Loan was obtained for storm sewer improvements within the Village. The loan is being repaid in semiannual principal installments of \$846.05 over 20 years beginning in 2006.

The Sewer Note was obtained in 2006 from Sky Bank for storm sewer improvements within the Village. The loan is due in 2007.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Special Assessment Bonds	OPWC Loans	General Obligation Notes	Total
2007	\$16,800	\$8,589	\$110,632	\$136,021
2008		8,589	41,228	49,817
2009		8,589	41,228	49,817
2010		8,589	41,228	49,817
2011		8,589	41,228	49,817
2012-2016		42,949	205,621	248,570
2017-2021		26,411	175,000	201,411
2022-2026		8,262	175,000	183,262
2027-2031			168,831	168,831
Total	<u>\$16,800</u>	<u>\$120,567</u>	<u>\$999,996</u>	<u>\$1,137,363</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. As of December 31, 2006, the Village owed \$3,182 to OPERS.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(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 460 Ohio governments ("Members").

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

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

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u><b>2005</b></u>	<u><b>2004</b></u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. COMPLIANCE**

Contrary to Ohio law:

- Budgetary expenditures exceeded appropriation authority in eight funds in 2006 and five funds in 2005.
- Approved appropriations did not agree with posted appropriations in eleven funds in 2006 and eight funds in 2005.
- Appropriations exceeded estimated resources in eleven funds in 2006 and one fund in 2005.
- Estimated resources exceeded actual resources in four funds
- The prior Clerk-Treasurer did not certify the total amount from all sources available in 2006 to the County Auditor.
- There were deficit fund balances in four funds as a result of audit adjustments.
- Certain disbursements were not prior certified by the prior Clerk-Treasurer.
- Revenues were not posted to proper funds
- Transfers and advances were made without legislative authority.
- The Village did not have an adequate system of internal control in order to ensure all transactions are properly authorized.

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Mary Taylor, CPA

Auditor of State

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

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

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, 2006 and 2005, and have issued our report thereon dated June 21, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-002, 2006-004, and 2006-007 through 2006-012.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001, 2006-002, 2006-004, and 2006-009 through 2006-011 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 21, 2007.

#### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 21, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

June 21, 2007

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation/Material Weakness**

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

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

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

- The prior Clerk-Treasurer did not post \$183,568 of funds, spent on behalf of the Village by the Ohio Public Works Program in 2005, to the Capital Projects fund until 2006. This caused revenues and disbursements to be understated in 2005 and overstated in 2006 by \$183,568. This resulted in audit adjustments to the financial statements for both years.
- In 2006, the prior Clerk-Treasurer posted Special Assessment receipts of \$6,386 to the General Fund instead of the Water Assessment Fund. This caused revenues in the Water Assessment Fund to be understated and resulted in audit adjustment to the financial statements in 2006.
- In 2006, the prior Clerk-Treasurer posted a Tangible Personal Property receipt and a Mobile Home Real Estate receipt to the State Highway and Street Construction, Maintenance and Repair Fund instead of the General Fund and Police Protection Fund. This caused the latter two funds to have revenue understated by \$1,736 and \$1,840, respectively. This resulted in audit adjustments to the financial statements in 2006.
- The prior Clerk-Treasurer over posted a Homestead and Rollback receipt to the General Fund for \$379 in 2006. This caused the Police Protection Fund being understated and resulted in audit adjustments to the financial statements in 2006.
- In 2006, the prior Clerk-Treasurer misposted correcting entries that moved \$10,149 of revenues from the Capital Projects Fund to the General Fund and the Sewer Fund in the amounts of \$8,093 and \$2,056, respectively. These transactions resulted in an understatement of the Capital Projects Fund and we made audit adjustments to reverse these transactions.

**FINDING NUMBER 2006-001  
(Continued)**

- In 2005 and 2006, the Village made 17 and 43 unauthorized advances, respectively. As a result of the lack of statutory authority for making these advances, an adjustment was necessary to reduce the Capital Projects Fund by \$19,343 and the Water Assessment Fund by \$3,500 and to increase the General Fund by \$2,843, the Street Construction Maintenance and Repair Fund by \$5,000, the Water Fund by \$10,000 and the Sewer Fund by \$5,000 for 2005. In 2006, audit adjustments were made to reduce the Sewer Fund by \$33,000 and to increase the General Fund by \$8,000, the Street Construction and Maintenance and Repair Fund by \$5,000, the Water Fund by \$10,000, and the Sewer Fund by \$10,000.
- The prior Clerk-Treasurer posted a receipt in anticipation of Permissive Tax revenues for \$13,473 in 2005. This revenue was not actually received until December 2006. The Permissive Tax fund had a negative balance of (\$13,473) in 2005 as a result of the Auditor of State proposing audit adjustments to recognize this receipt in 2006 instead of 2005.
- In addition, the preceding audit adjustments, with which management agrees, are reflected in the accompanying financial statements. This resulted in a deficit fund balance of (\$13,473), (\$19,343), and (\$3,404) in the Permissive Tax Fund, Capital Projects Fund and the Water Assessment Debt Service Enterprise Fund, respectively, as of December 31, 2005 and a deficit fund balance of (\$88,263) in the Capital Project Funds as of December 31, 2006.

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

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

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

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-002**

**Noncompliance Citation/ Material Weakness**

Ohio Revised Code § 5705.14 provides that no transfer can be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions. The transfers permitted under Ohio Revised Code § 5705.14 require a resolution passed by a two-thirds vote of the members of the taxing authority, except transfers from the general fund, which require a resolution passed by a simple majority. In addition to the transfers permitted under Ohio Revised Code § 5705.14, Ohio Revised Code §§ 5705.15 and 5705.16 provide that the taxing authority, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another.

In 2006, the prior Clerk-Treasurer transferred \$37,363 from the General Fund to the Capital Projects Fund without approval by Council. Furthermore, the Village transferred \$41,433 from the Sewer Fund to the Capital Projects Fund. This transaction was not an allowable transfer per Ohio Rev. Code § 5705.14 and was not approved by Council.



**FINDING NUMBER 2006-002  
(Continued)**

The transfer from the Sewer Fund did not meet any of the exceptions allowable under the Ohio Revised Code. We recommend no transfers be made unless prior approval has been obtained in the form of a resolution authorizing the transfers or an approval of the Tax Commissioner and the Court of Common Pleas. The financial statements have been adjusted to reverse the transfers, which resulted in a negative balance in the Capital Projects Fund in 2006.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.36, states that on or about the first day of each fiscal year, the fiscal officer shall certify the total amount from all sources available for expenditure from each fund in the tax budget, with any balances existing at the end of the preceding year. The budget commission taking into consideration the revenues to be derived, shall revise its estimate of the amounts that will be credited to each fund and shall certify to the taxing authority an "Amended Official Certificate of Estimated Resources."

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

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

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

The Village did not file the certificate with the County Auditor's office for fiscal year 2005 until March 18, 2005 and they did not file the certificate in 2006. In addition, the actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds for the year ended December 31, 2005:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Available Resources</b>	<b>Variance</b>	<b>Appropriations</b>
Police Fund	\$ 76,494	\$ 74,443	\$ (2,051)	\$ 76,350
Fire Truck Note Retirement Fund	752,147	153,201	(598,946)	585,000
Sewer Fund	101,857	89,048	(12,809)	97,000
Water Assessment Fund	18,467	11,596	(6,871)	18,400

When estimated resources are allowed to remain higher than available resources it increases the possibility that appropriations may be unrealistically inflated which could result in deficit spending.

**FINDING NUMBER 2006-003  
(Continued)**

We recommend the Village certify the total amount from all sources available for expenditure from each fund on or about the first day of each fiscal year. In addition, we recommend that the fiscal officer obtain a reduced amended certificate whenever it is apparent that available resources will be significantly greater than estimates.

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-004**

**Noncompliance Citation/ Material Weakness**

Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. In fiscal year 2006 and 2005, changes were made to the Village's legally adopted appropriations with no documented Council approval in the following funds:

<b>Fund</b>	<b>Approved Appropriations</b>	<b>Posted Appropriations</b>	<b>Difference</b>
<b>For the Year Ended December 31, 2006:</b>			
General Fund	\$ 268,800	\$ 353,211	\$ 84,411
Street Construction and Repair Fund	61,648	88,513	26,865
Permissve Tax Fund	40,000	69,820	29,820
Police Fund	83,200	85,400	2,200
Lakeland Pump Station & Street Fund		129,569	129,569
Sanitary Sewer Improvement Fund		183,043	183,043
Fire Truck Note Retirement Fund	635,000	646,100	11,100
Water Fund	98,827	147,814	48,987
Sewer Fund	77,000	191,332	114,332
Sewer Debt Service Fund	4,425	47,856	43,431
Water Assessment Fund	17,600	32,600	15,000
<b>For the Year Ended December 31, 2005:</b>			
General Fund	228,475	421,170	192,695
Street Construction and Repair Fund	57,648	62,148	4,500
Police Fund	76,350	87,420	11,070
Street Construction Fund		42,712	42,712
Fire Station Fund		86,062	86,062
Fire Truck Note Retirement Fund	585,000	593,000	8,000
Water Fund	153,827	154,727	900
Sewer Fund	97,000	152,800	55,800

This condition may result in a deficit spending situation. The Fiscal Officer should only make modifications to the appropriations ledger based on formally documented approval of Council. Management adjusted the accompanying budgetary presentation to agree appropriations to amounts Council approved.

**FINDING NUMBER 2006-004  
(Continued)**

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 provides that total appropriations from each fund shall not exceed the estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. Furthermore, no appropriation measure is to become effective until the

County Auditor files a certificate with the subdivision that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Approved appropriations exceeded available resources in the following funds at December 31, 2006 and 2005:

<b>Fund</b>	<b>Approved Appropriations</b>	<b>Estimated Resources</b>	<b>Difference</b>
<b>For the Year Ended December 31, 2006:</b>			
General Fund	\$268,800		(\$268,800)
Street Construction & Repair Fund	61,648		(61,648)
State Highway Fund	5,000		(5,000)
Permissive Tax Fund	40,000		(40,000)
Police Fund	83,200		(83,200)
Fire Truck Note Retirement Fund	635,000		(635,000)
Water Fund	98,827		(98,827)
Sewer Fund	77,000		(77,000)
Sewer Debt Service Fund	4,425		(4,425)
Water Assessment Fund	17,600		(17,600)
Enterprise Deposit Fund	5,000		(5,000)
<b>For the Year Ended December 31, 2005:</b>			
Permissive Tax	35,000	\$13,925	(21,075)

Total appropriations in excess of total available resources may result in deficit spending. The Fiscal Officer should regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Council for approval. In addition, the Fiscal Officer should make sure that annual appropriations and all subsequent modifications have been certified by the County Auditor by the end of each fiscal year so that each respective measure has been made effective.

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-006**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village's expenditures exceeded appropriations in the following funds at December 31, 2006 and 2005:

<b>Fund</b>	<b>Appropriations Authority</b>	<b>Actual Expenditures</b>	<b>Difference</b>
<b>For the Year Ended December 31, 2006:</b>			
Street Construction & Repair Fund	\$ 61,751	\$ 77,486	\$ (15,735)
Permissive Tax Fund	45,252	69,820	(24,568)
Lakeland Pump Station & Street Fund		93,606	(93,606)
Sanitary Sewer Improvements Fund		25,293	(25,293)
Fire Truck Note Retirement Fund	635,000	646,097	(11,097)
Water Fund	99,651	133,645	(33,994)
Sewer Fund	121,899	129,765	(7,866)
Sewer Debt Service Fund	4,425	5,400	(975)
<b>For the Year Ended December 31, 2005:</b>			
General Fund	304,781	373,479	(68,698)
Police Fund	76,350	83,058	(6,708)
Street Construction Fund		326,025	(326,025)
Fire Station Fund		42,712	(42,712)
Sewer Fund	97,084	126,233	(29,149)

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

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

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-007**

**Noncompliance Citation/ Significant Deficiency**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**FINDING NUMBER 2006-007  
(Continued)**

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

**1. "Then and Now" certificate** – If the fiscal officer can certify 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

**FINDING NUMBER 2006-007  
(Continued)**

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-008**

**Noncompliance Citation / Significant Deficiency**

Ohio Administrative Code § 117-2-01(A) states all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Further, Ohio Administrative Code § 117-2-01(D)(1) provides that when designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies.

The Village Council approved payment of expenses without the original invoice or bill being submitted as supporting documentation. Sixteen percent of expenses tested did not have supporting documentation on file. In addition, there was no prior approval of expenses. Invoices also lacked any initials or signatures of the person receiving the goods or services.

These weaknesses could result in improper payment of bills or illegal expenditures without being detected during the course of normal business operations.

We recommend the Mayor approve payment of expenses on original supporting documentation, such as an invoice with proper, prior approval. Invoices should also be initialed or signed by the individual receiving the goods or services to acknowledge that the invoices are okay to pay.

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-009**

**Material Weakness**

**Monitoring Controls by Council and Financial Reporting**

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**FINDING NUMBER 2006-009  
(Continued)**

The prior Clerk-Treasurer performed most accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the monitoring of financial activity by the Council:

- As a result of the audit procedures performed, errors were noted in the financial statements that required over fifty audit adjustments during the audit period.
- Council did not review (or receive) monthly detail revenue reports, detail disbursement reports, fund balance reports, payroll reports, and budget to actual receipts and disbursement reports.
- Items appearing in the individual bank reconciliations were neither reviewed by, nor authenticated by Council.
- Purchase orders were not signed by anyone other than the prior Fiscal Officer.
- Management did not detect several instances where check numbers sequences were skipped and the number recorded in the system did not match the actual check number.

These weaknesses allowed posting errors in receipts and disbursements to occur and go undetected. It also prevented Council from monitoring the work of the prior Fiscal Officer and greatly hindered the Council from being apprised of the Village's financial status.

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

Monthly bank reconciliations and lists of outstanding checks, monthly receipt and disbursement reports, fund balance reports, payroll reports, budget to actual receipts and disbursement reports, and purchase orders should be presented to Council by the Fiscal Officer. The documents should be reviewed, initialed, and approved in the minutes by Council.

This information provides important data necessary to manage the Village. This information can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted.
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Are transfers and advances only being made under Council authority?

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-010**

**Material Weakness**

**Estimated Revenue Posting**

Sound accounting practices provide that budgeted revenues posted to the Village's ledgers be based on amounts certified by the County Auditor. Estimated revenues as certified by the County Auditor were not posted to the Village's ledgers in the following funds at December 31, 2006 and 2005.

Fund	Approved Est. Revenue	Posted Est. Revenue	Difference
<b>For the Year Ended December 31, 2006:</b>			
General Fund		\$ 229,093	\$ (229,093)
Street Construction & Repair Fund		47,500	(47,500)
State Highway Fund		6,400	(6,400)
Permissive Tax Fund		45,000	(45,000)
Police Fund Fund		82,500	(82,500)
Lakeland Pump Station & Street Fund		50,500	(50,500)
Sanitary Sewer Improvement Fund		153,842	(153,842)
Fire Truck Note Retirement Fund		45,000	(45,000)
Water Fund		156,500	(156,500)
Sewer Fund		93,500	(93,500)
Sewer Debt Service Fund		52,000	(52,000)
Water Assessment Fund		16,300	(16,300)
Deposit Fund		5,000	(5,000)
<b>For the Year Ended December 31, 2005:</b>			
Street Construction & Repair Fund	\$ 50,300	42,500	7,800
Fire Truck Note Retirement Fund	635,000	35,000	600,000
Water Assessment Fund	21,800	16,300	5,500

This may cause appropriations to exceed estimated resources. We recommend that estimated revenue amounts posted to the Village's ledgers be reconciled with the amounts officially approved on the Amended Certificates of Estimated Resources.

**Official's Response:**

We did not receive a response from Officials to this finding.



## FINDING NUMBER 2006-011

### Material Weakness

#### Segregation of Utility Duties

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

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

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

#### Official's Response:

We did not receive a response from Officials to this finding.

## FINDING NUMBER 2006-012

### Significant Deficiency

#### Timely Utility Deposits

The prior Clerk-Treasurer did not deposit monies received from the Utility Clerk in a timely manner. As the end of each month the utility clerk wrote a check to the Village for that month's utility revenue. Twenty out of 24 these utility checks were not deposited to the bank within a proper time frame. Five out of these 20 checks were not deposited for more than twenty days with the deposit amounts up to \$55,467. Furthermore, a gasoline tax check for \$3,668, dated in February 2006, was not deposited and was subsequently voided by the state and not reissued.

Untimely deposits of Village monies reduces the amount of interest earned by the Village, and may have resulted in the Village not depositing \$3,668 in gasoline tax revenue in 2006. We recommend that all monies be deposited and posted as received.

#### Official's Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF CONTINENTAL  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Findings for recovery totaling \$1,386 (repaid) against four Council members for receiving compensation for services as a volunteer fireman.	Yes	
2004-002	ORC 5705.41(D)(1); failure to certify disbursements.	No	Not Corrected. Repeated in this report as finding 2006-007.
2004-003	ORC 5705.40; expenditures in excess of appropriations	No	Not Corrected. Repeated in this report as finding 2006-004.
2004-004	ORC 5705.39; appropriations in excess of estimated resources.	No	Not Corrected. Repeated in this report as finding 2006-005.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF CONTINENTAL**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 17, 2007**