



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF CONTINENTAL
PUTNAM COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Continental, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Continental, Putnam County, Ohio as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020

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**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, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$74,738	\$130,197			\$204,935
Municipal Income Tax	189,315				189,315
Intergovernmental	82,238	72,520		\$441,699	596,457
Charges for Services	132,335	980			133,315
Fines, Licenses and Permits	3,620	708			4,328
Earnings on Investments	4,345				4,345
Miscellaneous	30,267	1,129			31,396
<i>Total Cash Receipts</i>	<u>516,858</u>	<u>205,534</u>		<u>441,699</u>	<u>1,164,091</u>
Cash Disbursements					
Current:					
Security of Persons and Property	70,476	121,937			192,413
Basic Utility Services	9,247				9,247
Transportation		64,174			64,174
General Government	168,464	3,457			171,921
Capital Outlay	35,949			501,904	537,853
Debt Service:					
Principal Retirement		2,913	\$50,994		53,907
Interest and Fiscal Charges			15,197		15,197
<i>Total Cash Disbursements</i>	<u>284,136</u>	<u>192,481</u>	<u>66,191</u>	<u>501,904</u>	<u>1,044,712</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>232,722</u>	<u>13,053</u>	<u>(66,191)</u>	<u>(60,205)</u>	<u>119,379</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets				1,300	1,300
Transfers In		22,000		71,494	93,494
Transfers Out	(128,494)				(128,494)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(128,494)</u>	<u>22,000</u>		<u>72,794</u>	<u>(33,700)</u>
<i>Net Change in Fund Cash Balances</i>	104,228	35,053	(66,191)	12,589	85,679
<i>Fund Cash Balances, January 1</i>	<u>763,665</u>	<u>212,871</u>	<u>76,893</u>	<u>7,475</u>	<u>1,060,904</u>
Fund Cash Balances, December 31					
Restricted	149,008	247,924		20,064	416,996
Committed			10,702		10,702
Assigned	428,047				428,047
Unassigned	290,838				290,838
<i>Fund Cash Balances, December 31</i>	<u>\$867,893</u>	<u>\$247,924</u>	<u>\$10,702</u>	<u>\$20,064</u>	<u>\$1,146,583</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, 2019**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$370,781		\$370,781
Miscellaneous	135		135
<i>Total Operating Cash Receipts</i>	<u>370,916</u>		<u>370,916</u>
Operating Cash Disbursements			
Personal Services	101,440		101,440
Fringe Benefits	22,161		22,161
Contractual Services	133,874		133,874
Supplies and Materials	72,201		72,201
Other	2,576		2,576
<i>Total Operating Cash Disbursements</i>	<u>332,252</u>		<u>332,252</u>
<i>Operating Income</i>	<u>38,664</u>		<u>38,664</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	1,556	\$10,500	12,056
Capital Outlay	(44,640)		(44,640)
Principal Retirement	(69,622)		(69,622)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(112,706)</u>	<u>10,500</u>	<u>(102,206)</u>
<i>Income (Loss) before Transfers</i>	<u>(74,042)</u>	<u>10,500</u>	<u>(63,542)</u>
Transfers In	35,000		35,000
<i>Net Change in Fund Cash Balances</i>	<u>(39,042)</u>	<u>10,500</u>	<u>(28,542)</u>
<i>Fund Cash Balances, January 1</i>	<u>438,672</u>		<u>438,672</u>
<i>Fund Cash Balances, December 31</i>	<u>\$399,630</u>	<u>\$10,500</u>	<u>\$410,130</u>

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

NR Grant-CDBG Fund This fund accounts for and reports a Community Development Block Grant for sidewalk and road improvements within the Village.

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

Water Operating Fund This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

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.

Agency Funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village disburses these funds as directed by the individual, organization or other government. The Village's Agency Fund accounts for insurance proceeds collected from property damaged by a fire within the Village.

Basis of Accounting

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

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 3.

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$450,916	\$516,858	\$65,942
Special Revenue	258,272	227,534	(30,738)
Debt Service	55,000		(55,000)
Capital Projects	527,169	514,493	(12,676)
Enterprise	386,900	407,472	20,572
Total	\$1,678,257	\$1,666,357	(\$11,900)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$714,370	\$415,822	\$298,548
Special Revenue	365,529	196,136	169,393
Debt Service	66,192	66,191	1
Capital Projects	534,644	501,904	32,740
Enterprise	553,140	452,846	100,294
Total	\$2,233,875	\$1,632,899	\$600,976

Note 4 – 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:

	2019
Demand deposits	\$821,949
Certificates of deposit	351,288
Total deposits	1,173,237
STAR Ohio	383,476
Total deposits and investments	\$1,556,713

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

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

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

Note 6 – Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of the full-time police member's wages. The Village has paid all contributions required through December 31, 2019.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 9 – Miscellaneous Revenue

Miscellaneous receipts in the General Fund primarily consisted of donations, payment in lieu of taxes, reimbursements, and refunds from the Ohio Bureau of Workers Compensation. Miscellaneous receipts in the Agency Fund consisted of insurance proceeds.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Loan	\$276,862	3.83%
Fire Truck Loan	83,685	3.50%
Ohio Public Works Commission Loan CM10H	11,845	0.00%
Ohio Public Works Commission Loan CT380	895,488	0.00%
Ohio Water Development Authority Loan 5669	93,215	0.00%
Ohio Water Development Authority Loan 6342	262,552	0.00%
Total	<u>\$1,623,647</u>	

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

The Fire Truck loan was obtained in 2018 to purchase a fire truck. The loan is being repaid in semi-annual payments of \$11,192 of principal and interest over six years beginning in 2018.

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

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

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

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

Amortization

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Year Ending December 31:	Fire Station Loan	Fire Truck Loan	OPWC Loans	OWDA Loans
2020	\$35,000	\$22,383	\$37,512	\$26,581
2021	35,000	22,383	37,512	26,581
2022	35,000	22,383	37,512	26,581
2023	35,000	22,383	37,512	26,581
2024	35,000	2,248	37,512	26,581
2025-2029	157,986		182,485	132,905
2030-2034			179,097	89,957
2035-2039			179,095	
2040-2044			179,096	
Total	<u>\$332,986</u>	<u>\$91,780</u>	<u>\$907,333</u>	<u>\$355,767</u>

Note 11 – Interfund Transfers

During 2019, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Fund:	
Police Fund	\$22,000
Capital Projects Funds:	
NR Grant-CDBG Fund	7,119
Water Meter Repl. OPWC Fund	64,375
Total Capital Projects Funds	<u>71,494</u>
Enterprise Fund:	
Water Operating Fund	35,000
	<u>\$128,494</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In August 2020, the Village was awarded a \$420,000 grant through the Ohio Public Works Commission, which combined with a \$771,575 loan and/or grant through the Ohio Water Development Authority, will be used to finance a \$1,191,575 elevated water tank replacement project.

**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, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$71,985	\$125,421			\$197,406
Municipal Income Tax	189,050				189,050
Intergovernmental	56,715	81,526		\$90,200	228,441
Charges for Services	130,931	10,600			141,531
Fines, Licenses and Permits	3,726	648			4,374
Earnings on Investments	1,091				1,091
Miscellaneous	21,076	1,896			22,972
<i>Total Cash Receipts</i>	<u>474,574</u>	<u>220,091</u>		<u>90,200</u>	<u>784,865</u>
Cash Disbursements					
Current:					
Security of Persons and Property	70,496	123,313			193,809
Basic Utility Services	7,790				7,790
Transportation		62,437			62,437
General Government	202,519	3,252			205,771
Capital Outlay	19,999			210,200	230,199
Debt Service:					
Principal Retirement		7,156	\$31,748		38,904
Interest and Fiscal Charges		103	14,444		14,547
<i>Total Cash Disbursements</i>	<u>300,804</u>	<u>196,261</u>	<u>46,192</u>	<u>210,200</u>	<u>753,457</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>173,770</u>	<u>23,830</u>	<u>(46,192)</u>	<u>(120,000)</u>	<u>31,408</u>
Other Financing Receipts (Disbursements)					
Sale of Notes				120,000	120,000
Sale of Capital Assets				2,500	2,500
Transfers In		29,700	44,748		74,448
Transfers Out	(139,448)				(139,448)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(139,448)</u>	<u>29,700</u>	<u>44,748</u>	<u>122,500</u>	<u>57,500</u>
<i>Net Change in Fund Cash Balances</i>	34,322	53,530	(1,444)	2,500	88,908
<i>Fund Cash Balances, January 1</i>	<u>729,343</u>	<u>159,341</u>	<u>78,337</u>	<u>4,975</u>	<u>971,996</u>
Fund Cash Balances, December 31					
Restricted	69,727	212,871		7,475	290,073
Committed			76,893		76,893
Assigned	263,454				263,454
Unassigned	430,484				430,484
<i>Fund Cash Balances, December 31</i>	<u>\$763,665</u>	<u>\$212,871</u>	<u>\$76,893</u>	<u>\$7,475</u>	<u>\$1,060,904</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, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$361,829
Miscellaneous	1,268
	<u>363,097</u>
<i>Total Operating Cash Receipts</i>	<u>363,097</u>
Operating Cash Disbursements	
Personal Services	89,913
Employee Fringe Benefits	34,150
Contractual Services	117,771
Supplies and Materials	70,547
Other	3,473
	<u>315,854</u>
<i>Total Operating Cash Disbursements</i>	<u>315,854</u>
<i>Operating Income</i>	<u>47,243</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	1,780
Capital Outlay	(30,000)
Principal Retirement	(82,261)
Interest and Other Fiscal Charges	(98)
	<u>(110,579)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(110,579)</u>
<i>Loss before Transfers</i>	(63,336)
Transfers In	65,000
	<u>65,000</u>
<i>Net Change in Fund Cash Balances</i>	1,664
<i>Fund Cash Balances, January 1</i>	<u>437,008</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$438,672</u></u>

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

NR Grant-CDBG Fund This fund accounts for and reports a Community Development Block Grant for sidewalk and road improvements within the Village.

Capital Improvement Fund This fund accounts for and reports loan proceeds used to purchase a fire truck.

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

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

Basis of Accounting

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

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.

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

2018 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$529,002	\$474,574	(\$54,428)
Special Revenue	246,588	249,791	3,203
Debt Service	55,000	44,748	(10,252)
Capital Projects	486,475	212,700	(273,775)
Enterprise	432,272	429,877	(2,395)
Total	<u>\$1,749,337</u>	<u>\$1,411,690</u>	<u>(\$337,647)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$828,345	\$442,089	\$386,256
Special Revenue	356,121	197,867	158,254
Debt Service	47,000	46,192	808
Capital Projects	486,475	210,200	276,275
Enterprise	556,656	464,730	91,926
Total	<u>\$2,274,597</u>	<u>\$1,361,078</u>	<u>\$913,519</u>

Note 4 – 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:

	2018
Demand deposits	<u>\$1,392,436</u>
Other time deposits (savings)	<u>80,943</u>
Total deposits	<u>1,473,379</u>
STAR Ohio	<u>26,197</u>
Total deposits and investments	<u>\$1,499,576</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

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

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

Note 6 – Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of the full-time police member's wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Loan	\$300,419	3.83%
Fire Truck Loan	111,121	3.50%
Ohio Public Works Commission Loan CT42E	2,913	0.00%
Ohio Public Works Commission Loan CM10H	13,537	0.00%
Ohio Public Works Commission Loan CM08N	5,530	0.00%
Ohio Public Works Commission Loan CT380	931,308	0.00%
Ohio Water Development Authority Loan 5669	101,689	0.00%
Ohio Water Development Authority Loan 6342	280,659	0.00%
Total	<u>\$1,747,176</u>	

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

The Fire Truck loan was obtained in 2018 to purchase a fire truck. The loan is being repaid in semi-annual payments of \$11,192 of principal and interest over six years beginning in 2018.

The Ohio Public Works Commission loan CT42E 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 loan CM10H (2005) was obtained for storm sewer improvements within the Village. The loan is being repaid in semiannual principal installments of \$846 over 20 years beginning in 2006.

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

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

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

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

Amortization

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

Village of Continental, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Year Ending December 31:	Fire Station Loan	Fire Truck Loan	OPWC Loans	OWDA Loans
2019	\$35,000	\$22,383	\$38,584	\$26,581
2020	35,000	22,383	38,584	26,581
2121	35,000	22,383	38,584	26,581
2022	35,000	22,383	38,584	26,581
2023	35,000	22,383	38,262	26,581
2024-2028	175,000	11,056	186,305	132,905
2029-2033	17,986		180,375	107,484
2034-2038			179,095	9,054
2039-2043			179,095	
2044-2048			35,820	
Total	<u>\$367,986</u>	<u>\$122,971</u>	<u>\$953,288</u>	<u>\$382,348</u>

Note 10 – Interfund Transfers

During 2018, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Fund:	
Street Construction Maintenance and Repair Fund	\$29,700
Debt Service Fund:	
Note Retirement - Fire Department Fund	44,748
Enterprise Fund:	
Water Operating Fund	65,000
	<u>\$139,448</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 11 – Compliance

Contrary to Ohio Rev. Code § 5705.10(E), the Village recorded loan proceeds of \$120,000 in the wrong fund.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Continental, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 23, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020

**VILLAGE OF CONTINENTAL
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified in the accompanying financial statements:

- In 2018, charges for services revenue in the amount of \$44,748 from fire contracts that was intended for payment on fire department loans was recorded within the Note Retirement – Fire Department Fund as charges for services. The full amount received should have been recorded within the General Fund. Amounts intended for debt service purposes should have been subsequently transferred out of the General Fund and into the Note Retirement – Fire Department Fund
- In 2019, General Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned fund balance in the amount of \$186,831.
- Committed fund balance within the Note Retirement – Fire Department Fund in the amounts of \$10,702 and \$76,893 were incorrectly classified as restricted in 2019 and 2018, respectively.
- In 2019, Budgetary Expenditures in the Budgetary Activity note to the financial statements were understated in the General and Enterprise Funds in the amounts of \$131,687 and \$53,216, respectively.
- In 2019, Actual Receipts in the Budgetary Activity note to the financial statements were understated in the Special Revenue, Capital Projects, and Enterprise Funds in the amounts of \$22,000, \$71,494, and \$34,999, respectively.
- In 2019, Appropriation Authority in the Budgetary Activity note to the financial statements did not agree to amounts approved by Village Council in the Special Revenue and Enterprise Funds in amounts of \$104,008 and \$36,517, respectively.
- In 2018, Budgetary Expenditures in the Budgetary Activity note to the financial statements were understated in the Enterprise Fund in the amount of \$36,519.
- In 2018, Budgeted Receipts in the Budgetary Activity note to the financial statements did not agree to amounts certified by the County Budget Commission in the Capital Projects Fund in the amount of \$4,975.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Village Council making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. In addition, the Fiscal Officer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

Officials' Response:

The Village was notified in 2018 that the Fire contracts needed to go into the General Fund and transferred to the Debt Service Fund after the first contract payment had been made. The next two points are concerning GASB 54 classification of funds. The Village is having problems understanding the proper way to do this. The next five points concern the notes to the financial statements. The auditors reviewed the proper way to do this with the Village and hopefully will do it correctly in the future.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(E) requires all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in section 133.01 of the Revised Code, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue, and any interest and other income earned on money in such special fund may be used for the purposes for which the indebtedness was authorized or may be credited to the general fund or other fund or account as the taxing authority authorizes and used for the purposes of that fund or account. The premium and accrued interest received from such sale shall be paid into the sinking fund or the bond retirement fund of the subdivision.

In 2018, the Village inappropriately recorded \$120,000 of loan proceeds in the General Fund. Given the source of the revenue, this should have been recorded in the Capital Improvement Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

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

Officials' Response:

This noncompliance has been explained by the auditors, and the Village will use this guidance in the future to assure correct fund posting of debt proceeds.

VILLAGE OF CONTINENTAL

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Mathew R. Miller, Mayor
Susan K. Darby, Fiscal Officer

Kathy Prowant, Administrator
Scott Welch, Village Solicitor

Council Members

Jordan Streicher-President Tom Armeay Todd Bartley Roxie Knipp Dan Sullivan Mike Varner

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	This finding was first reported in 2005. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2019-001 in this report.	The Village attempted to follow the advice after the last audit to post receipts and fund balances correctly. The Village will use the current audit to get clarity on how to correctly classify fund balances and receipts.
2017-002	This finding was first reported in 2016. Material weakness and noncompliance with Ohio Rev. Code § 5705.10(F) for posting proceeds from the sale of a capital asset in the wrong fund.	Corrective action taken and finding is fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CONTINENTAL

PUTNAM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/6/2020

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This report is a matter of public record and is available online at
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