

VILLAGE OF PLAIN CITY
MADISON COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Plain City
213 South Chillicothe Street
Plain City, Ohio 43064

We have reviewed the *Independent Auditors' Report* of the Village of Plain City, Madison County, prepared by Holbrook & Manter, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Plain City is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

September 18, 2009

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Plain City
Madison County

We have audited the accompanying financial statements of the Village of Plain City, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed 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 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 for 2008 and 2007, GAAP requires presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially confirm 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position 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 Plain City, Madison County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2009 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.

The image shows a handwritten signature in black ink that reads "Shulbrook & Master". The script is cursive and elegant, with the ampersand being particularly stylized.

Certified Public Accountants

July 29, 2009

VILLAGE OF PLAIN CITY
MADISON COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2008

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Capital Project	Permanent	
CASH RECEIPTS:-					
Local taxes	\$ 65,867	\$ 307,623	\$ 0	\$ 0	\$ 373,490
Municipal income tax	1,065,228	0	0	0	1,065,228
Intergovernmental	191,908	179,660	0	0	371,568
Charges for services	220,064	27,097	154,633	0	401,794
Fines, licenses, and permits	68,915	9,000	0	0	77,915
Earnings on investments	70,212	4,388	0	0	74,600
Miscellaneous	26,916	4,103	0	0	31,019
Total cash receipts	1,709,110	531,871	154,633	0	2,395,614
CASH DISBURSEMENTS:-					
Current:-					
Security of persons and property	514,920	318,604	0	0	833,524
Leisure time activities	72,818	19,135	0	0	91,953
Basic utility service	251,661	0	0	0	251,661
Transportation	0	125,587	0	0	125,587
General government	624,197	0	0	0	624,197
Capital outlay	0	0	108,982	0	108,982
Debt redemption:-					
Redemption of principal	0	13,569	181,231	0	194,800
Interest and other fiscal charges	0	327	115,659	0	115,986
Total cash disbursements	1,463,596	477,222	405,872	0	2,346,690
Total receipts over (under) cash disbursements	245,514	54,649	(251,239)	0	48,924
Other financing receipts (disbursements):-					
Sale of notes	0	0	56,716	0	56,716
Advance in	100,000	100,000	0	0	200,000
Advance out	(100,000)	(100,000)	0	0	(200,000)
Total other financing receipts (disbursements)	0	0	56,716	0	56,716
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	245,514	54,649	(194,523)	0	105,640
Fund cash balances, January 1, 2008	903,293	237,017	1,212,239	5,000	2,357,549
Fund cash balances, December 31, 2008	\$ 1,148,807	\$ 291,666	\$ 1,017,716	\$ 5,000	\$ 2,463,189
Reserve for encumbrances, December 31, 2008	\$ 57,263	\$ 1,894	\$ 5,000	\$ 0	\$ 64,157

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

**VILLAGE OF PLAIN CITY
MADISON COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 916,083
Miscellaneous	3,555
	919,638
OPERATING CASH DISBURSEMENTS:-	
Personal services	331,659
Employee fringe benefits	118,938
Contractual services	162,958
Supplies and materials	163,296
Capital outlay	0
Other	0
	776,851
Total operating cash disbursements	776,851
Operating income	142,787
NON-OPERATING CASH RECEIPTS:-	
Miscellaneous	5,845
	5,845
Total non-operating cash receipts	5,845
NON-OPERATING CASH DISBURSEMENTS:-	
Redemption of principal	109,969
Interest and other fiscal charges	36,878
	146,847
Total non-operating cash disbursements	146,847
Net receipts over disbursements	1,785
Fund cash balances, January 1, 2008	294,222
Fund cash balances, December 31, 2008	\$ 296,007
Reserve for encumbrances, December 31, 2008	\$ 9,368

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

**VILLAGE OF PLAIN CITY
MADISON COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2007

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Capital Project	Permanent	
CASH RECEIPTS:-					
Local taxes	\$ 64,734	\$ 313,588	\$ 0	\$ 0	\$ 378,322
Municipal income tax	960,556	0	0	0	960,556
Intergovernmental	226,613	165,894	0	0	392,507
Charges for services	178,251	27,534	218,561	0	424,346
Fines, licenses, and permits	76,227	0	0	0	76,227
Earnings on investments	135,967	7,254	0	0	143,221
Miscellaneous	9,193	4,127	0	0	13,320
Total cash receipts	1,651,541	518,397	218,561	0	2,388,499
CASH DISBURSEMENTS:-					
Current:-					
Security of persons and property	466,981	316,021	0	0	783,002
Leisure time activities	86,131	29,608	0	0	115,739
Basic utility service	208,342	0	0	0	208,342
Transportation	0	293,502	0	0	293,502
General government	607,747	0	0	0	607,747
Capital outlay	0	0	375,241	0	375,241
Debt redemption:-					
Redemption of principal	0	13,569	176,522	0	190,091
Interest paid	0	653	120,368	0	121,021
Total cash disbursements	1,369,201	653,353	672,131	0	2,694,685
Total receipts over (under) cash disbursements	282,340	(134,956)	(453,570)	0	(306,186)
Other financing receipts (disbursements):-					
Sale of notes	0	0	211,424	0	211,424
Advance in	0	0	0	0	0
Advance out	0	0	0	0	0
Total other financing receipts (disbursements)	0	0	211,424	0	211,424
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	282,340	(134,956)	(242,146)	0	(94,762)
Fund cash balances, January 1, 2007	620,953	371,973	1,454,385	5,000	2,452,311
Fund cash balances, December 31, 2007	\$ 903,293	\$ 237,017	\$ 1,212,239	\$ 5,000	\$ 2,357,549
Reserve for encumbrances, December 31, 2007	\$ 7,312	\$ 1,657	\$ 6,474	\$ 0	\$ 15,443

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

**VILLAGE OF PLAIN CITY
MADISON COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 947,984
Miscellaneous	3,709
Total operating cash receipts	951,693
OPERATING CASH DISBURSEMENTS:-	
Personal services	299,693
Employee fringe benefits	128,462
Contractual services	141,957
Supplies and materials	187,420
Capital outlay	988,311
Other	0
Total operating cash disbursements	1,745,843
Operating income (loss)	(794,150)
NON-OPERATING CASH RECEIPTS:-	
Sale of notes	968,800
Miscellaneous	8,431
Total non-operating cash receipts	977,231
NON-OPERATING CASH DISBURSEMENTS:-	
Redemption of principal	101,624
Interest and other fiscal charges	45,863
Total non-operating cash disbursements	147,487
Net receipts over disbursements	35,594
Fund cash balances, January 1, 2007	258,628
Fund cash balances, December 31, 2007	\$ 294,222
Reserve for encumbrances, December 31, 2007	\$ 1,120

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

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Plain City, Madison County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general governmental services, including water, sewer and refuse utilities, pool and park operations (leisure time activities), and police services.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

- C. **Cash and Investments** - Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- 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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing Village streets.

Police Fund

This fund receives tax levy proceeds to provide Village police protection.

Clock Fund

During 2006, this fund was reclassified as a special revenue fund since the original bequest allowed for the principal and interest to be spent. This fund originally was created from a bequest that provides for the maintenance and upkeep of the Village Clock.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Water Capital Improvement Fund

This fund receives a portion of the water and sewer charges for the Village's capital projects.

Sewer Replacement

This fund receives a portion of the water and sewer charges for the Village's sewer replacement.

Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, no principal, are available to support the Village's programs. The Village had the following significant permanent funds:

Park Trust Fund

This fund was a bequest where the interest is received to provide for the maintenance and upkeep of the Village's park. The interest received is credited directly to the Park fund, which is a Special Revenue Fund.

Enterprise Funds

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

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Swimming Pool Fund

This fund receives charges for services from users to cover the cost of providing this service.

- E. 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 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 PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

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

Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

- F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.
- G. Unpaid Vacation and Sick Leave** - Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	2008	2007
Demand deposits	\$ 1,731,600	\$ 1,609,865
Certificate of Deposit	5,000	5,000
STAR Ohio	1,022,596	1,036,906
Total deposits	\$ 2,759,196	\$ 2,651,771

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,616,300	\$ 1,809,110	\$ 192,810
Special Revenue	535,000	631,871	96,871
Capital Project	0	211,349	211,349
Permanent	0	0	0
Enterprise	<u>954,000</u>	<u>925,483</u>	<u>(28,517)</u>
Total	<u>\$ 3,105,300</u>	<u>\$ 3,577,813</u>	<u>\$ 472,513</u>

2008 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,610,909	\$ 1,620,859	\$ (9,950)
Special Revenue	579,200	579,116	84
Capital Projects	1,290,000	410,872	879,128
Permanent	0	0	0
Enterprise	<u>1,005,600</u>	<u>933,066</u>	<u>72,534</u>
Total	<u>\$ 4,485,709</u>	<u>\$ 3,543,913</u>	<u>\$ 941,796</u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2008 in the Enterprise funds by \$34,362.

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2008 by \$9,950 in the General Fund.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,501,300	\$ 1,651,541	\$ 150,241
Special Revenue	576,800	518,397	(58,403)
Capital Project	0	429,985	429,985
Permanent	0	0	0
Enterprise	<u>874,000</u>	<u>1,928,924</u>	<u>1,054,924</u>
Total	\$ <u>2,952,100</u>	\$ <u>4,528,847</u>	\$ <u>1,576,747</u>

2007 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,481,050	\$ 1,376,513	\$ 104,537
Special Revenue	734,867	655,010	79,857
Capital Projects	1,453,000	678,605	774,395
Permanent	0	0	0
Enterprise	<u>999,850</u>	<u>1,894,450</u>	<u>(894,600)</u>
Total	\$ <u>4,668,767</u>	\$ <u>4,604,578</u>	\$ <u>64,189</u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2008 in the Special Revenue funds by \$58,403.

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2007 by \$886,169 in the Enterprise Funds.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 4 - PROPERTY TAX:-

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The tangible personal property tax is being phased out over the next year.

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2008, was as follows:

	Principal Balance 12/31/2008	Interest Rate
Ohio Water Development Authority	\$ 141,064	2.00%
Ohio Water Development Authority	170,632	7.65%
Ohio Water Development Authority	98,106	7.66%
Ohio Water Development Authority	35,096	9.98%
Ohio Water Development Authority	4,197,995	2.65%
Ohio Water Development Authority	968,800	0.00%
Total	\$ 5,611,693	

During 1985, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a sewer construction project. The original amount of the loan was \$701,779. The loan is to be repaid in semiannual installments of \$38,597, including interest through 2009 and has an interest rate of 9.98%. Payments on the outstanding balance began in 1985 and the final installment will be due July 1, 2009. As of December 31, 2008 and 2007, the total outstanding balance was \$35,096 and \$102,101, respectively.

During 1991, the Village entered into a loan agreement with OWDA for a water construction project. The total loan amount is for \$217,013 with an interest rate of 7.66% and is to be paid back over 25 years in semiannual installments of \$9,871. Payments on the outstanding balance began during 1991 and the final payment will be due July 1, 2015. As of December 31, 2008 and 2007, the total outstanding balance was \$98,106 and \$109,464, respectively.

During 1992, the Village entered into a loan agreement with OWDA for a water construction project. The total loan amount is for \$339,999 with an interest rate of 7.65% and is to be paid back over 25 years in semiannual installments of \$15,331. Payments on the outstanding balance began during 1992 and the final payment will be due July 1, 2016. As of December 31, 2008 and 2007, the total outstanding balance was \$170,632 and \$187,146, respectively.

VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 5 - DEBT:- (continued)

During 1993, the Village entered into a loan agreement with OWDA for a water construction project. The total loan amount is for \$355,635 with an interest rate of 2.0% and is to be paid back over 25 years in semiannual installments of \$9,108. Payments on the outstanding balance began during 1993 and the final payment will be due July 1, 2017. As of December 31, 2008 and 2007, the total outstanding balance was \$141,066 and \$156,157, respectively.

During 2005, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a water plant upgrade and expansion. The total amount of the loan was \$4,586,036 and has a 2.65% interest rate. The loan will be repaid in semiannual installment beginning July 1, 2007. As of December 31, 2008 and 2007, this loan was still open and there was no amortization schedule available. The Village made principal payments in the amount of \$181,231 and \$176,522 for the year ending December 31, 2008 and 2007, respectively. The outstanding balance on this loan, including capitalized interest, at December 31, 2008 and 2007 was \$4,197,995 and \$4,322,510, respectively.

During 2006, the Village entered into a bond agreement with the Citizens National Bank of Plain City for the purchase of a Dura Patcher for road repairs. The total loan amount is \$54,277 with annual payments of \$13,369 and an interest rate of 4.8%. The final payment is due in 2008. As of December 31, 2008, the Village paid this loan off in full.

During 2007, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a waste water sewer plant expansion. The total amount of the loan was \$968,800 and has no interest rate. The outstanding balance on this loan at December 31, 2008 is \$968,800. As of December 31, 2008 and 2007, this loan was still open and there was no amortization schedule available.

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

Year Ending December 31	OWDA Loan	OWDA Loan	OWDA Loan	OWDA Loan	Total
2009	\$ 18,216	\$ 30,662	\$ 19,742	\$ 38,598	\$ 107,218
2010	18,215	30,662	19,742	0	68,619
2011	18,215	30,663	22,742	0	71,620
2012	18,216	30,662	19,742	0	68,620
2013	18,216	30,662	19,743	0	68,621
2014-2018	<u>63,756</u>	<u>76,655</u>	<u>29,614</u>	<u>0</u>	<u>170,025</u>
Total	154,834	229,966	131,325	38,598	554,723
Less interest expense	<u>13,770</u>	<u>59,334</u>	<u>33,219</u>	<u>3,502</u>	<u>109,825</u>
Principal on above loans	<u>\$ 141,064</u>	<u>\$ 170,632</u>	<u>\$ 98,106</u>	<u>\$ 35,096</u>	<u>\$ 444,898</u>
2005 OWDA loan (no amortization available)					4,197,995
2007 OWDA loan (no amortization available)					<u>968,800</u>
Total principal					<u>\$ 5,611,693</u>

During the years ended December 31, 2008 and 2007, OWDA granted the Village interest credit enhancements in the amount of \$5,845 and \$8,431, respectively.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 6 - CAPITALIZED LEASE:-

During the year ended December 31, 2003, the Village entered into a capitalized lease for a street sweeper and a dump truck. As of December 31, 2008 the lease was paid in full and the Village retained the equipment.

NOTE 7 - LOCAL INCOME TAXES:-

This locally levied tax of 1 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village of Plain City and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to net income of business organizations operating within the Village. The tax receipts are credited to the General Fund and amounted to \$1,065,228 in 2008 and \$960,556 in 2007.

NOTE 8 - RETIREMENT SYSTEMS:-

The Villages law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 24% of their wages. PERS members contributed 10.0% and 9.5% of their gross salaries in 2008 and 2007, respectively. The Village contributed an amount equal to 14.00% and 13.85% of participants' gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

NOTE 9 - RISK MANAGEMENT:-

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and Omissions
- Vehicles

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

NOTE 10 - CONTINGENCY:-

Wastewater Treatment Plant

On May 24, 2002, Ohio EPA issued the Village a National Pollutant Discharge Elimination System Permit ("NPDES Permit") for water discharges associated with the Village's waste water treatment plant. The NPDES Permit contained terms and conditions the Village believed were arbitrary, capricious and otherwise not in compliance with applicable law. The Village appealed the NPDES Permit on June 21, 2002 and filed an Amended Appeal on June 24, 2002 with the Ohio Environmental Review Appeals Commission. In its appeal, the Village challenged the reduction of effluent limits, imposition of certain monitoring requirements and requirement for submission of a facilities monitoring plan.

VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 10 - CONTINGENCY:- (continued)

The Village and Ohio EPA entered in a settlement agreement with respect to this appeal on June 16, 2004. The settlement agreement provides this case will be resolved and the Village's appeal dismissed upon Ohio EPA's final issuance of a modified NPDES Permit and a Permit to Install (PTI) related to a plant expansion and upgrade. The Ohio EPA issued a draft PTI and proposed modification to the NPDES Permit on April 4, 2005.

During 2005, a project began to upgrade and expand the plant for the Village based upon the modified issuance of the permit as discussed above. This project was funded through a loan with the Ohio Water Development Authority and was still open to take draws upon as of December 31, 2008.



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Village Council
Village of Plain City
Madison County

We have audited the financial statements of the Village of Plain City, Madison County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 29, 2009, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2008-004.

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 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 finding 2008-004 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 29, 2009.

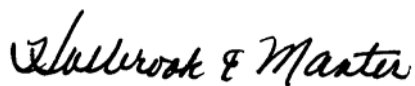
Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001, 2008-002, and 2008-003.

We also noted certain instances of noncompliance or other matters that we reported to the Village's management in a separate letter dated July 29, 2009.

The Village of Plain City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village of Plain City's response and, accordingly, we express no opinion on it.

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



Certified Public Accountants

July 29, 2009

**VILLAGE OF PLAIN CITY
MADISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

Finding Number	2008-001
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Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the year ended December 31, 2008 and 2007.

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriation may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village comply with the Ohio Revised Code and monitor appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continued basis and amending estimated resources or appropriations as necessary.

Officials' Response

In an effort to eliminate exceeding estimated resources, the Fiscal Officer will work to more diligently file the appropriate paperwork with the County Auditor as supplemental appropriations are approved by Village Council.

Finding Number	2008-002
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Noncompliance Citation – Prior Certification of Expenditures

Ohio Revised Code, Section 5705.41 (D) requires that no orders or contracts involving the expenditures of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that expenditures by the Village were not certified in a timely manner.

Without timely certification, the Village may expend more funds than available in the treasury, in the process of collection, or than funds appropriated.

We recommend that the Village implement a policy and procedure for contracts involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then and Now" certificates where applicable.

Officials' Response

Although in 2007, the Village implemented a new procedure for purchase orders that encumbers funds prior to purchase we will continue to make improvements by effectively changing internal controls.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

Finding Number	2008-003
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Noncompliance Citation – Expenditures Exceed Appropriations

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the budgetary expenditures exceeded appropriations throughout the year for several line items – (See Footnote 3 within the report). This condition limits the effectiveness of the Village’s compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Fiscal Officer deny payment request or purchase orders exceeding appropriations until the Village’s Council approve an increase to appropriations through a resolution and the Fiscal Officer then prepares an amendment to the original appropriation of expenditures.

Officials’ Response

While strides have been made to prevent expenditures exceeding appropriations the Village will implement additional procedures for amending appropriations and submitting them to the County for approval.

Finding Number	2008-004
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Material Weakness – Internal Control and Review Procedures

Although the Council Members receive and review a limited number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that someone independent of the check writing process is not reviewing all the invoices associated with each check written. However, the Mayor is reviewing the monthly bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village Council should also make appropriate inquires and if deemed necessary also review the bank statements and supporting documentation to help determine the integrity of the financial information. When performing such review, the officials’ signatures or initials and the date should be affixed to the documents examined and it should be discussed with Council and noted in the monthly minutes that the Village Official, that being the Mayor at this time, has thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence between months and within the current month be noted in the minutes and signed off of by the Council at each meeting.

Officials’ Response

The Village Fiscal Officer will consider different procedures for approval of invoices by a Village Official, independent of the check writing process and prior to mailing checks for vendor payments. The Village Official deemed responsible for reviewing those invoices will sign off on them and be responsible to report in monthly meetings to Village Council that the items reviewed and approved were for proper public purpose and within the Village’s guidelines. The Village Fiscal Officer will continue to provide bank statements to a Village Official for review and approval, which will then be reported to Council Members in a monthly meeting where additional financial reports are reviewed. Village Council will continue to review monthly reports and the numerical sequence of the checks at monthly meetings. Meeting minutes will reflect Council’s approval.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC 5705.39- Total appropriations from each fund should not exceed total estimated resources.	No	Repeated in the Schedule of Findings in the 2008 and 2007 audit report as Finding # 2008-001.
2006-002	ORC 5705.41(D)- No subdivision is to expend monies unless it has been appropriated.	No	Repeated in the Schedule of Findings in the 2008 and 2007 audit report as Finding # 2008-002.
2006-003	ORC 5705.41(C)- Expenditures exceed appropriations.	No	Repeated in the Schedule of Findings in the 2008 and 2007 audit report as Finding # 2008-003.
2006-004	Significant Deficiency- Internal control and review procedures	No	Repeated in the Schedule of Findings in the 2008 and 2007 audit report as Finding # 2008-005.



Mary Taylor, CPA
Auditor of State

VILLAGE OF PLAIN CITY

MADISON 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
OCTOBER 1, 2009