

**VILLAGE OF PLAIN CITY**  
**MADISON COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009





# Dave Yost • 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, 2009 through December 31, 2010. 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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Dave Yost  
Auditor of State

October 18, 2011

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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, 2010 and 2009. 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 more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to present the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2011 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 "Shullbrook & Master". The signature is written in a cursive, flowing style.

Certified Public Accountants

August 3, 2011



**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, 2010

	<u>GOVERNMENTAL FUND TYPES</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Permanent</u>	
<b>CASH RECEIPTS:-</b>					
Local taxes	\$ 76,202	\$ 316,974	\$ 0	\$ 0	\$ 393,176
Municipal income tax	954,466	0	0	0	954,466
Intergovernmental	235,930	190,373	0	0	426,303
Charges for services	229,947	33,377	389,245	0	652,569
Fines, licenses, and permits	68,225	3,000	0	0	71,225
Earnings on investments	3,946	196	0	0	4,142
Miscellaneous	18,909	10,806	0	0	29,715
<b>Total cash receipts</b>	<b>1,587,625</b>	<b>554,726</b>	<b>389,245</b>	<b>0</b>	<b>2,531,596</b>
<b>CASH DISBURSEMENTS:-</b>					
<b>Current:-</b>					
Security of persons and property	380,702	334,122	0	0	714,824
Leisure time activities	21,609	38,593	0	0	60,202
Basic utility service	252,011	0	0	0	252,011
Transportation	0	150,292	0	0	150,292
General government	748,430	0	0	0	748,430
Capital outlay	0	0	94,148	0	94,148
Debt redemption:-					
Redemption of principal	0	0	191,029	0	191,029
Interest and other fiscal charges	0	0	105,862	0	105,862
<b>Total cash disbursements</b>	<b>1,402,752</b>	<b>523,007</b>	<b>391,039</b>	<b>0</b>	<b>2,316,798</b>
<b>Total receipts over (under) cash disbursements</b>	<b>184,873</b>	<b>31,719</b>	<b>( 1,794)</b>	<b>0</b>	<b>214,798</b>
<b>Fund cash balances, January 1, 2010</b>	<b>1,129,251</b>	<b>401,362</b>	<b>693,337</b>	<b>5,000</b>	<b>2,228,950</b>
<b>Fund cash balances, December 31, 2010</b>	<b>\$ 1,314,124</b>	<b>\$ 433,081</b>	<b>\$ 691,543</b>	<b>\$ 5,000</b>	<b>\$ 2,443,748</b>
<b>Reserve for encumbrances, December 31, 2010</b>	<b>\$ 7,009</b>	<b>\$ 1,992</b>	<b>\$ 6,837</b>	<b>\$ 0</b>	<b>\$ 15,838</b>

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, 2010

	<u>Proprietary Fund</u>
	<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:-</b>	
Charges for services	\$ 894,995
Miscellaneous	5,696
	<hr/>
Total operating cash receipts	900,691
<b>OPERATING CASH DISBURSEMENTS:-</b>	
Personal services	242,871
Employee fringe benefits	78,579
Contractual services	159,611
Supplies and materials	282,345
	<hr/>
Total operating cash disbursements	763,406
	<hr/>
Operating income	137,285
<b>NON-OPERATING CASH RECEIPTS:-</b>	
Miscellaneous	1,516
	<hr/>
Total non-operating cash receipts	1,516
<b>NON-OPERATING CASH DISBURSEMENTS:-</b>	
Redemption of principal	47,972
Interest and other fiscal charges	20,741
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Total non-operating cash disbursements	68,713
	<hr/>
Net receipts over disbursements	70,088
Fund cash balances, January 1, 2010	360,298
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Fund cash balances, December 31, 2010	\$ 430,386
	<hr/>
<b>Reserve for encumbrances, December 31, 2010</b>	<b>\$ 5,447</b>
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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 II  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>GOVERNMENTAL FUND TYPES</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Project</b>	<b>Permanent</b>	
<b>CASH RECEIPTS:-</b>					
Local taxes	\$ 71,014	\$ 318,493	\$ 0	\$ 0	\$ 389,507
Municipal income tax	955,771	0	0	0	955,771
Intergovernmental	179,046	230,066	0	0	409,112
Charges for services	227,736	29,687	21,092	0	278,515
Fines, licenses, and permits	59,690	2,000	0	0	61,690
Earnings on investments	13,706	149	0	0	13,855
Miscellaneous	39,714	13,641	0	0	53,355
Total cash receipts	1,546,677	594,036	21,092	0	2,161,805
<b>CASH DISBURSEMENTS:-</b>					
<b>Current:-</b>					
Security of persons and property	477,790	299,398	0	0	777,188
Leisure time activities	74,653	18,240	0	0	92,893
Basic utility service	253,421	0	0	0	253,421
Transportation	0	121,912	0	0	121,912
General government	805,159	0	0	0	805,159
Capital outlay	0	0	48,581	0	48,581
Debt redemption:-					
Redemption of principal	0	0	186,065	0	186,065
Interest paid	0	0	110,825	0	110,825
Total cash disbursements	1,611,023	439,550	345,471	0	2,396,044
Total receipts over (under) cash disbursements	( 64,346)	154,486	( 324,379)	0	( 234,239)
<b>Other financing receipts (disbursements):-</b>					
Transfer in	44,790	0	0	0	44,790
Transfer out	0	( 44,790)	0	0	( 44,790)
Total other financing receipts (disbursements)	44,790	( 44,790)	0	0	0
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	( 19,556)	109,696	( 324,379)	0	( 234,239)
Fund cash balances, January 1, 2009	1,148,807	291,666	1,017,716	5,000	2,463,189
Fund cash balances, December 31, 2009	\$ 1,129,251	\$ 401,362	\$ 693,337	\$ 5,000	\$ 2,228,950
<b>Reserve for encumbrances, December 31, 2009</b>	<b>\$ 5,645</b>	<b>\$ 2,412</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,057</b>

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, 2009

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>OPERATING CASH RECEIPTS:-</b>	
Charges for services	\$ 901,589
Miscellaneous	5,299
Total operating cash receipts	906,888
<b>OPERATING CASH DISBURSEMENTS:-</b>	
Personal services	261,388
Employee fringe benefits	86,453
Contractual services	166,399
Supplies and materials	223,788
Capital outlay	0
Other	0
Total operating cash disbursements	738,028
Operating income (loss)	168,860
<b>NON-OPERATING CASH RECEIPTS:-</b>	
Miscellaneous	3,781
Total non-operating cash receipts	3,781
<b>NON-OPERATING CASH DISBURSEMENTS:-</b>	
Redemption of principal	80,480
Interest and other fiscal charges	27,870
Total non-operating cash disbursements	108,350
Net receipts over disbursements	64,291
Fund cash balances, January 1, 2009	296,007
Fund cash balances, December 31, 2009	\$ 360,298
<b>Reserve for encumbrances, December 31, 2009</b>	<b>\$ 2,000</b>

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, 2010 AND 2009**

**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 six-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 and motor vehicle tax money 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, 2010 AND 2009**

**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, 2010 AND 2009**

**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 2010 and 2009 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:

	<b>2010</b>	<b>2009</b>
Demand deposits	\$ 1,777,759	\$ 1,494,035
Certificate of Deposit	5,000	5,000
STAR Ohio	1,091,375	1,090,213
<b>Total deposits</b>	<b>\$ 2,874,134</b>	<b>\$ 2,589,248</b>

**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, 2010 AND 2009**

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2010 was as follows:

**2010 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,548,050	\$ 1,587,625	\$ 39,575
Special Revenue	488,800	554,726	65,926
Capital Project	0	389,245	389,245
Permanent	0	0	0
Enterprise	<u>950,000</u>	<u>902,207</u>	<u>( 47,793)</u>
<b>Total</b>	<b>\$ <u>2,986,850</u></b>	<b>\$ <u>3,433,803</u></b>	<b>\$ <u>446,953</u></b>

**2010 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,584,596	\$ 1,409,761	\$ 174,835
Special Revenue	803,777	524,999	278,778
Capital Projects	585,000	397,876	187,124
Permanent	0	0	0
Enterprise	<u>927,995</u>	<u>837,566</u>	<u>90,429</u>
<b>Total</b>	<b>\$ <u>3,901,368</u></b>	<b>\$ <u>3,170,202</u></b>	<b>\$ <u>731,166</u></b>

Contrary to Ohio law, actual receipts were less than estimated resources during 2010 in the Enterprise funds by \$47,793.



**VILLAGE OF PLAIN CITY  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2009 was as follows:

**2009 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,654,500	\$ 1,591,467	\$ ( 63,033)
Special Revenue	490,260	594,036	103,776
Capital Project	0	21,092	21,092
Permanent	0	0	0
Enterprise	<u>952,000</u>	<u>910,669</u>	<u>( 41,331)</u>
<b>Total</b>	<b>\$ <u>3,096,760</u></b>	<b>\$ <u>3,117,264</u></b>	<b>\$ <u>20,504</u></b>

**2009 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,699,436	\$ 1,616,668	\$ 82,768
Special Revenue	686,787	486,752	200,035
Capital Projects	950,000	345,471	604,529
Permanent	0	0	0
Enterprise	<u>994,195</u>	<u>848,378</u>	<u>145,817</u>
<b>Total</b>	<b>\$ <u>4,330,418</u></b>	<b>\$ <u>3,297,269</u></b>	<b>\$ <u>1,033,149</u></b>

Contrary to Ohio law, actual receipts were less than estimated resources during 2009 in the General fund by \$63,033.

Contrary to Ohio law, actual receipts were less than estimated resources during 2009 in the Enterprise fund by \$41,331.

**VILLAGE OF PLAIN CITY  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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.

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, 2010, was as follows:

	<b>Principal Balance 12/31/2010</b>	<b>Interest Rate</b>
Ohio Water Development Authority	\$ 109,967	2.00%
Ohio Water Development Authority	133,765	7.65%
Ohio Water Development Authority	72,715	7.66%
Ohio Water Development Authority	<u>3,820,901</u>	2.65%
<b>Total</b>	<u>\$ 4,137,348</u>	

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 was paid on July 1, 2009.

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, 2010 and 2009, the total outstanding balance was \$72,715 and \$85,879, 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, 2010 and 2009, the total outstanding balance was \$133,765 and \$152,870, respectively.

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, 2010 and 2009, the total outstanding balance was \$109,967 and \$125,670, respectively.

**VILLAGE OF PLAIN CITY  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 5 - DEBT:-** (continued)

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 interest rate includes a Water Resource Restoration Sponsor Program (WRRSP) discount. (see additional discussion of the WRRSP below) The loan will be repaid in semiannual installments beginning July 1, 2007. Subsequent to December 31, 2010, no draw downs could be taken on this loan due to OWDA classifying it as closed; however, there was still no amortization schedule available as of the audit report date. The Village made principal payments in the amount of \$191,029 and \$186,055 for the year ending December 31, 2010 and 2009, respectively. The outstanding balance on this loan, including capitalized interest, at December 31, 2010 and 2009 was \$3,820,901 and \$4,011,930, respectively.

The Water Resource Restoration Sponsor Program (WRRSP) provides to the Village of Plain City a discounted interest rate on the waste water treatment plant upgrade loan agreement held by OWDA as noted in the previous paragraph. This agreement allows the advancement of interest, paid by the Village over the term of the loan, to be awarded in the form of a grant to the Ohio Department of Natural Resources in the amount of \$968,000 for the land acquisition of the Double Bond Property for the Little Darby Creek Riparian Corridor Protection project. The Village has no financial obligation for additional payment to OWDA for this grant. The distribution of \$968,000 was made during 2007 to the Ohio Department of Natural Resources from the advancement of interest from the Village of Plain City's OWDA loan.

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

<b>Year Ending December 31</b>	<b>OWDA Loan</b>	<b>OWDA Loan</b>	<b>OWDA Loan</b>	<b>Total</b>
2011	\$ 18,215	\$ 30,663	\$ 19,742	\$ 68,620
2012	18,216	30,662	19,742	68,620
2013	18,216	30,662	19,743	68,621
2014	18,216	30,662	19,742	68,620
2015	18,216	30,663	9,872	58,751
2016-2020	<u>27,324</u>	<u>15,331</u>	<u>0</u>	<u>42,655</u>
Total	118,403	168,643	88,841	375,887
Less interest expense	<u>8,436</u>	<u>34,878</u>	<u>16,126</u>	<u>59,440</u>
<b>Principal on above loans</b>	<b><u>\$ 109,967</u></b>	<b><u>\$ 133,765</u></b>	<b><u>\$ 72,715</u></b>	<b>316,447</b>
2005 OWDA loan (no amortization available)				<u>3,820,901</u>
<b>Total principal</b>				<b><u>\$ 4,137,348</u></b>

During the years ended December 31, 2010 and 2009, OWDA granted the Village interest credit enhancements in the amount of \$1,516 and \$3,781, respectively.

**NOTE 6 - 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 \$954,466 in 2010 and \$955,771 in 2009.

**VILLAGE OF PLAIN CITY  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 7 - 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 2010 and 2009, 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% of their gross salaries in 2010 and 2009. The Village contributed an amount equal to 14.00% of participants' gross salaries for 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

**NOTE 8 - 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 9 - 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.

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, 2010.

**NOTE 10 - SUBSEQUENT EVENTS:-**

The Village evaluated subsequent events through August 3, 2011, the date which the financial statements were available to be issued.



**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, 2010 and 2009, and have issued our report thereon dated August 3, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State of Ohio prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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 deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 3, 2011.


## 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 an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-002.

We also noted certain instances not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 3, 2011.

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

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

August 3, 2011

**VILLAGE OF PLAIN CITY  
MADISON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-001</b>
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**Material Weakness in Internal Control – Obtaining SAS 70 Reports for Service Organizations**

Governments often use "service organizations" to process accounting transactions on their behalf. When a government has delegated an accounting function to an outside organization (called a service organization), Statement on Auditing Standards No. 70 (SAS 70) imposes certain additional audit requirements for processing of transactions by service organizations. SAS 70 requires the Village's Auditor to assume audit responsibility for accounting processes performed at the service organization. SAS 70 also prescribes reports (called SAS 70 reports) that a service organization's auditors can prepare for the Government's use. If SAS 70 reports are not prepared for those service organizations processing material transactions, user organizations should consider negotiating a clause in their service contract requiring such a report.

The Village did not obtain a SAS 70 report for the service organization which they used during the period under audit. However, the auditors were able to perform alternative procedures to determine that the functions performed by the service organization were operating effectively.

We recommend that the Village consider negotiating a clause in their service contract requiring the SAS 70 reports each year for any service organizations used.

**Officials' Response**

Village is now aware of the requirement to obtain a SAS 70 report from service organizations and will take the necessary steps in meeting this requirement in the future.

<b>Finding Number</b>	<b>2010-002</b>
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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**

Village will continue to monitor the purchase order process and make efforts to improve the processes to prevent these instances to occur in the future.

**VILLAGE OF PLAIN CITY  
MADISON COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-001	ORC 5705.39- Total appropriations from each fund should not exceed total estimated resources.	Yes	Finding No Longer Valid.
2008-002	ORC 5705.41(D)- No subdivision is to expend monies unless it has been appropriated.	No	Repeated in the Schedule of Findings in the 2010 and 2009 audit report as Finding # 2010-002.
2008-003	ORC 5705.41(C)- Expenditures exceed appropriations.	Yes	Finding No Longer Valid.
2008-004	Material Weakness- Internal control and review procedures	Yes	Finding No Longer Valid.





# Dave Yost • 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  
NOVEMBER 10, 2011