

VILLAGE OF PLAIN CITY
MADISON COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Plain City
213 South Chillicothe St.
Plain City, OH 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, 2005 to December 31, 2006. 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.

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

Mary Taylor, CPA
Auditor of State

January 9, 2008

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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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

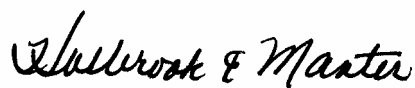
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Plain City, Madison County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for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

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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Government 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 December 10, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

December 10, 2007

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, 2006

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Capital Project	Permanent	
CASH RECEIPTS:-					
Local taxes	\$ 67,463	\$ 311,732	\$ 0	\$ 0	\$ 379,195
Municipal income tax	904,892	0	0	0	904,892
Intergovernmental	164,607	192,969	0	0	357,576
Charges for services	171,974	19,954	84,947	0	276,875
Fines, licenses, and permits	54,904	785	0	0	55,689
Earnings on investments	123,064	14,180	0	0	137,244
Miscellaneous	12,876	12,407	0	0	25,283
Total cash receipts	1,499,780	552,027	84,947	0	2,136,754
CASH DISBURSEMENTS:-					
Current:-					
Security of persons and property	367,250	396,545	0	0	763,795
Leisure time activities	41,231	31,823	0	0	73,054
Basic Utility Service	188,741	0	0	0	188,741
Transportation	0	185,386	0	0	185,386
General government	599,395	155	0	0	599,550
Capital outlay	0	0	3,911,578	0	3,911,578
Debt redemption:-					
Redemption of principal	0	13,569	0	0	13,569
Interest paid	0	1,947	0	0	1,947
Total cash disbursements	1,196,617	629,425	3,911,578	0	5,737,620
Total receipts over (under) cash disbursements	303,163	(77,398)	(3,826,631)	0	(3,600,866)
Other financing receipts (disbursements):-					
Sale of notes	0	0	3,766,421	0	3,766,421
Other financing sources	0	0	73,972	0	73,972
Other financing uses	0	0	(73,972)	0	(73,972)
Total other financing receipts (disbursements)	0	0	3,766,421	0	3,766,421
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	303,163	(77,398)	(60,210)	0	165,555
Fund cash balances, January 1, 2006	317,790	449,371	1,514,595	5,000	2,286,756
Fund cash balances, December 31, 2006	\$ 620,953	\$ 371,973	\$ 1,454,385	\$ 5,000	\$ 2,452,311
Reserve for encumbrances, December 31, 2006	\$ 2,091	\$ 7,925	\$ 156,299	\$ 0	\$ 166,315

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, 2006

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 875,514
Miscellaneous	4,352
	879,866
OPERATING CASH DISBURSEMENTS:-	
Personal services	252,011
Employee fringe benefits	147,835
Contractual services	118,219
Supplies and materials	147,735
Capital outlay	41,551
Other	157
	707,508
Total operating cash disbursements	707,508
Operating income	172,358
NON-OPERATING CASH RECEIPTS:-	
Miscellaneous	11,494
	11,494
Total non-operating cash receipts	11,494
NON-OPERATING CASH DISBURSEMENTS:-	
Redemption of principal	145,950
Interest and other fiscal charges	53,094
	199,044
Total non-operating cash disbursements	199,044
Net receipts over disbursements	(15,192)
Fund cash balances, January 1, 2006	273,820
Fund cash balances, December 31, 2006	\$ 258,628
Reserve for encumbrances, December 31, 2006	\$ 3,918

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 AND SIMILAR FIDUCIARY FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>GOVERNMENTAL FUND TYPES</u>			<u>FIDUCIARY</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Project</u>	<u>Expendable</u> <u>Trust</u>	
CASH RECEIPTS:-					
Local taxes	\$ 70,477	\$ 98,422	\$ 0	\$ 0	\$ 168,899
Municipal income tax	895,764	0	0	0	895,764
Intergovernmental	168,485	194,826	0	0	363,311
Charges for services	167,378	19,596	478,952	0	665,926
Fines, licenses, and permits	31,452	3,612	0	0	35,064
Interest	60,044	10,612	0	0	70,656
Miscellaneous	10,076	16,617	0	0	26,693
Total cash receipts	1,403,676	343,685	478,952	0	2,226,313
CASH DISBURSEMENTS:-					
Current:-					
Security of persons and property	618,301	90,929	0	0	709,230
Leisure time activities	33,160	16,186	0	0	49,346
Community environment	54,686	0	0	0	54,686
Basic Utility Service	172,478	0	0	0	172,478
Transportation	0	156,658	0	0	156,658
General government	431,211	0	0	61	431,272
Capital outlay	0	54,277	524,886	0	579,163
Debt Redemption:-					
Redemption of principal	0	13,569	62,334	0	75,903
Interest paid	0	2,334	3,273	0	5,607
Total cash disbursements	1,309,836	333,953	590,493	61	2,234,343
Total receipts over (under) cash disbursements	93,840	9,732	(111,541)	(61)	(8,030)
Other financing receipts (disbursements):-					
Sales of notes	0	54,277	445,116	0	499,393
Other financing sources	0	0	2,100	0	2,100
Other financing uses	0	0	(2,100)	0	(2,100)
Total other financing receipts (disbursements)	0	54,277	445,116	0	499,393
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	93,840	64,009	333,575	(61)	491,363
Fund cash balances January 1, 2005	223,950	383,701	1,181,020	1,722	1,790,393
Fund cash balances, December 31, 2005	\$ 317,790	\$ 447,710	\$ 1,514,595	\$ 1,661	\$ 2,281,756
Reserve for encumbrances, December 31, 2005	\$ 8,458	\$ 8,392	\$ 0	\$ 0	\$ 16,850

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 AND SIMILAR FIDUCIARY FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund	Fiduciary Fund
	Enterprise	Nonexpendable Trust
OPERATING CASH RECEIPTS:-		
Charges for services	\$ 882,242	\$ 0
Total operating cash receipts	882,242	0
OPERATING CASH DISBURSEMENTS:-		
Personal services	398,542	0
Contractual services	110,118	0
Supplies and materials	229,328	0
Capital outlay	5,653	0
Total operating cash disbursements	743,641	0
Operating income	138,601	0
NON-OPERATING CASH RECEIPTS:-		
Miscellaneous	20,935	0
Total non-operating cash receipts	20,935	0
NON-OPERATING CASH DISBURSEMENTS:-		
Redemption of principal	134,165	0
Interest and other fiscal charges	70,068	0
Total non-operating cash disbursements	204,233	0
Net receipts over disbursements	(44,697)	0
Fund cash balances, January 1, 2005	318,517	5,000
Fund cash balances, December 31, 2005	\$ 273,820	\$ 5,000
Reserve for encumbrances, December 31, 2005	\$ 3,491	\$ 0

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, 2006 AND 2005**

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 - (classification for 2006)

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, 2006 AND 2005

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 during 2006:

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 - (classification for 2006)

During 2006, 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 during 2006:

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.

Fiduciary Funds - (classification for 2005)

During 2005, these funds maintain the assets held under trust agreements and they are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The following funds were fiduciary funds during 2005:

Clock Operation Expendable Trust Fund

This fund was 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, 2006 AND 2005

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

Park Trust Non-Expendable 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.

- 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.

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 2006 and 2005 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.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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:

	2006	2005
Demand deposits	\$ 1,697,847	\$ 1,595,399
Certificate of Deposit	5,000	5,000
STAR Ohio	1,008,092	960,177
Total deposits	\$ 2,710,939	\$ 2,560,576

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, 2006 AND 2005**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,458,840	\$ 1,499,780	\$ 40,940
Special Revenue	520,200	552,027	31,827
Capital Project	0	3,925,340	3,925,340
Permanent	0	0	0
Enterprise	<u>874,000</u>	<u>891,360</u>	<u>17,360</u>
Total	<u>\$ 2,853,040</u>	<u>\$ 6,868,507</u>	<u>\$ 4,015,467</u>

2006 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,342,051	\$ 1,198,708	\$ 143,343
Special Revenue	615,500	637,350	(21,850)
Capital Projects	1,075,000	4,141,849	(3,066,849)
Permanent	0	0	0
Enterprise	<u>928,400</u>	<u>910,470</u>	<u>17,930</u>
Total	<u>\$ 3,960,951</u>	<u>\$ 6,888,377</u>	<u>\$ (2,927,426)</u>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2006 by \$21,850 in the Special Revenue Funds and \$3,066,849 in the Capital Projects Fund.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,326,500	\$ 1,403,676	\$ 77,176
Special Revenue	356,777	397,962	41,185
Capital Project	80,000	926,168	846,168
Expendable Trust	0	0	0
Enterprise	868,000	903,177	35,177
Non-Expendable Trust	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>2,631,277</u>	\$ <u>3,630,983</u>	\$ <u>999,706</u>

2005 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,299,951	\$ 1,318,294	\$ (18,343)
Special Revenue	652,000	342,345	309,655
Capital Projects	1,075,000	592,593	482,407
Expendable Trust	0	61	(61)
Enterprise	921,800	951,365	(29,565)
Non-Expendable Trust	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>3,948,751</u>	\$ <u>3,204,658</u>	\$ <u>744,093</u>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2005 by \$18,343 in the General Fund, \$61 in the Expendable Trust Fund, and \$29,565 in the Enterprise Fund.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 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, 2006, was as follows:

	Principal Balance 12/31/2006	Interest Rate
Citizens National Bank Bond	\$ 27,138	4.80%
Ohio Water Development Authority	170,953	2.00%
Ohio Water Development Authority	202,500	7.65%
Ohio Water Development Authority	120,012	7.66%
Ohio Water Development Authority	163,025	9.98%
Ohio Water Development Authority	4,287,609	2.65%
Total	\$ 4,971,237	

During 1982, 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 \$529,201. The loan is to be repaid in semiannual installments of \$28,525, including interest through 2007 and has an interest rate of 9.72%. Payments on the outstanding balance began in 1982 and the final installment will be due July 1, 2007. As of December 31, 2006, the Village paid this loan off in full.

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, 2006 and 2005, the total outstanding balance was \$163,025 and \$218,422, 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, 2006 and 2005, the total outstanding balance was \$120,012 and \$129,812, 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 7.56% 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, 2006 and 2005, the total outstanding balance was \$202,500 and \$216,774, respectively.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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, 2006 and 2005, the total outstanding balance was \$170,953 and \$185,460, respectively.

During 1998, the Village entered into a loan agreement with the Richwood Bank for a water plant upgrade project. The total loan amount is \$600,000 with monthly payments of \$6,438 and an interest rate of 5.25%. The final payment was made October 27, 2005.

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 outstanding balance on this loan, including capitalized interest, at December 31, 2006 is \$4,287,609. The loan will be repaid in semiannual installment beginning July 1, 2007. As of December 31, 2006 and 2005, this loan was still open and there was no amortization schedule available.

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, 2006 and 2005, the total outstanding balance was \$27,138 and \$40,708, respectively.

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

Year Ending December 31	OWDA Loan	OWDA Loan	OWDA Loan	OWDA Loan	Citizens National Bonds	Total
2007	\$ 9,108	\$ 15,331	\$ 9,871	\$ 38,598	\$ 14,872	\$ 87,780
2008	18,216	30,662	19,742	77,194	14,222	160,036
2009	18,216	30,662	19,742	77,194	0	145,814
2010	18,216	30,662	19,742	0	0	68,620
2011	18,216	30,662	19,743	0	0	68,621
2012-2017	<u>108,373</u>	<u>153,312</u>	<u>78,969</u>	<u>0</u>	<u>0</u>	<u>340,654</u>
Total	190,345	291,291	167,809	192,986	29,094	871,525
Less interest expense	<u>19,392</u>	<u>88,791</u>	<u>47,797</u>	<u>29,961</u>	<u>1,956</u>	<u>187,897</u>
Principal on above loans	<u>\$ 170,953</u>	<u>\$ 202,500</u>	<u>\$ 120,012</u>	<u>\$ 163,025</u>	<u>\$ 27,138</u>	<u>\$ 683,628</u>
2005 OWDA loan (no amortization available)						<u>4,287,609</u>
Total Principal						<u>\$ 4,971,237</u>

During the years ended December 31, 2006 and 2005, OWDA granted the Village an interest credit enhancement in the amounts of \$11,494 and \$14,285, respectively.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2006.

Year Ended December 31,	Payment
2007	\$ <u>20,172</u>
Total minimum lease payments	20,172
Less amount representing interest	<u>(236)</u>
Present value of minimum lease payments	\$ <u><u>19,936</u></u>

Under the basis of accounting utilized by the Village, the capital assets are not reflected on the financial statements and payments are allocated and recorded in the General, Water, and Sewer funds

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 \$900,749 in 2006 and \$886,777 in 2005.

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 2006 and 2005, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 9% and 8.5% of their gross salaries in 2006 and 2005, respectively. The Village contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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:-

A. Pending Litigation

The Village is involved in ongoing litigation. The Village's management and legal counsel are not able to predict at this time the outcome of the pending litigation.

B. 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, 2006.



**Independent Accountants' 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, 2006 and 2005, and have issued our report thereon dated December 10, 2007, 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 2006-004.

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. We believe none of the significant deficiencies described above are a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 10, 2007.

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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

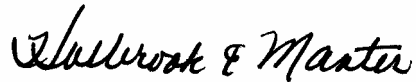
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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 2006-001, 2006-002 and 2006-003.

We did note certain noncompliance or other matters that we reported to the Government's management in a separate letter dated December 10, 2007.

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

December 10, 2007

**VILLAGE OF PLAIN CITY
MADISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

Finding Number	2006-001
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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, 2006 and 2005.

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

When supplemental appropriations are approved by the Village Council, the Fiscal Officer is filing the appropriate paperwork with the County Auditor.

Finding Number	2006-002
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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

During 2007, the Village implemented a new procedure for purchase orders that encumbers funds prior to purchase.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

Finding Number	2006-003
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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

The Village is implementing procedures to determine when it is necessary to amend the appropriations and submit them to the County for approval to prevent the actual expenditures to exceed those that were appropriated.

Finding Number	2006-004
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Significant Deficiency – Internal Control and Review Procedures

Although the Council Members receive and review a select 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 the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village should carefully review this information and make appropriate inquires 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 noted in the monthly minutes that the officials’ thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

Officials’ Response

The Village Fiscal Officer will provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting. The Village will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.

**VILLAGE OF PLAIN CITY
MADISON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC 5705.39- Total appropriations from each fund should not exceed total estimated resources.	No	Repeated in the Schedule of Findings in the 2006 and 2005 audit report as Finding # 2006-001.
2004-002	ORC 5705.41(B)- No subdivision is to expend monies unless it has been appropriated.	No	Repeated in the Schedule of Findings in the 2006 and 2005 audit report as Finding # 2006-002.



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
JANUARY 22, 2008