

***VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of DeGraff
107 South Main Street, P.O. Box 309
DeGraff, Ohio 43318

We have reviewed the Report of Independent Accountants of the Village of DeGraff, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *[IAR]* 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 *[IAR]* 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 DeGraff is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 10, 2012

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VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 & 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of DeGraff
Logan County
107 South Main Street
P.O. Box 309
DeGraff, Ohio 43318

To the Village Council:

We have audited the accompanying financial statements of the Village of DeGraff, Logan County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

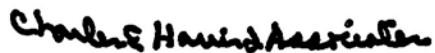
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of DeGraff, Logan County, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Also, the Village changed their financial statement presentation to the Auditor of State regulatory basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012, 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.



Charles E. Harris & Associates, Inc.

October 2, 2012

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES**
All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 37,232	\$ 39,146	\$ 76,378
Municipal Income Tax	147,148	-	147,148
Intergovernmental	32,719	125,559	158,278
Charges for Service	-	11,995	11,995
Fines, Licenses and Permits	9,458	-	9,458
Earnings on Investments	1,405	156	1,561
Other	4,313	13,058	17,371
Total Receipts	232,275	189,914	422,189
Disbursements:			
Security of Persons & Property	69,301	51,100	120,401
Leisure Time Activities	3,783	-	3,783
Public Health	-	9,326	9,326
Community Environment	3,964	-	3,964
Transportation	45,478	125,576	171,054
General Government	104,227	647	104,874
Debt Service:			
Principal	1,333	-	1,333
Interest	1,041	-	1,041
Total Disbursements	229,127	186,649	415,776
Total Receipts Over/(Under) Disbursements	3,148	3,265	6,413
Other Financing Sources/(Uses):			
Transfer-In	-	283	283
Transfer-Out	(283)	-	(283)
Total Other Financing Sources/(Uses)	(283)	283	-
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	2,865	3,548	6,413
Fund Cash Balance, January 1, 2011	2,126	98,391	100,517
Fund Balances:			
Restricted	-	101,939	101,939
Unassigned	4,991	-	4,991
Fund Cash Balance, December 31, 2011	\$ 4,991	\$ 101,939	\$ 106,930

See Accompanying Notes to the Financial Statements.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
For the Year Ended December 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals- (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Receipts:			
Charges for Services	\$ 330,814	\$ -	\$ 330,814
Miscellaneous	<u>2,280</u>	<u>502</u>	<u>2,782</u>
Total Receipts	<u>333,094</u>	<u>502</u>	<u>333,596</u>
Disbursements:			
Personal Services	113,968	-	113,968
Employee Fringe Benefits	35,920	-	35,920
Contractual Services	61,660	-	61,660
Material and Supplies	18,538	-	18,538
Other	<u>51,849</u>	<u>500</u>	<u>52,349</u>
Total Disbursements	<u>281,935</u>	<u>500</u>	<u>282,435</u>
Excess of Receipts Over/(Under) Disbursements	51,159	2	51,161
Non-Operating Receipts/(Disbursements):			
Special Assessments	182	-	182
Other Debt Proceeds	92,376	-	92,376
Capital Outlay	(109,459)	-	(109,459)
Redemption of Principal	(168,556)	-	(168,556)
Interest and Other Fiscal Charges	(41,273)	-	(41,273)
Other Non-Operating Disbursements	<u>(45,956)</u>	<u>-</u>	<u>(45,956)</u>
Total Non-Operating Receipts/(Disbursements)	<u>(272,686)</u>	<u>-</u>	<u>(272,686)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	(221,527)	2	(221,525)
Fund Cash Balance, January 1, 2011	<u>332,914</u>	<u>308</u>	<u>333,222</u>
Fund Cash Balance, December 31, 2011	<u>\$ 111,387</u>	<u>\$ 310</u>	<u>\$ 111,697</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES**
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 48,619	\$ 61,034	\$ 109,653
Municipal Income Tax	150,199	-	150,199
Intergovernmental	35,108	81,466	116,574
Charges for Service	-	11,995	11,995
Fines, Licenses and Permits	13,653	-	13,653
Earnings on Investments	2,996	202	3,198
Other	14,501	5,784	20,285
Total Receipts	265,076	160,481	425,557
Disbursements:			
Security of Persons & Property	74,297	47,853	122,150
Leisure Time Activities	11,933	-	11,933
Public Health	-	12,287	12,287
Community Environment	4,110	-	4,110
Transportation	46,741	91,586	138,327
General Government	128,321	1,095	129,416
Debt Service:			
Principal	11,480	5,341	16,821
Interest	2,240	147	2,387
Total Disbursements	279,122	158,309	437,431
Total Receipts Over/(Under) Disbursements	(14,046)	2,172	(11,874)
Other Financing Sources/(Uses):			
Transfer-In	-	3,000	3,000
Transfer-Out	(3,000)	-	(3,000)
Total Other Financing Sources/(Uses)	(3,000)	3,000	-
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(17,046)	5,172	(11,874)
Fund Cash Balance, January 1, 2010	19,172	93,219	112,391
Fund Balances:			
Restricted	-	98,391	98,391
Unassigned	2,126	-	2,126
Fund Cash Balance, December 31, 2010	\$ 2,126	\$ 98,391	\$ 100,517

See Accompanying Notes to the Financial Statements.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
For the Year Ended December 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals- (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Receipts:			
Charges for Services	\$ 351,229	\$ -	\$ 351,229
Total Receipts	<u>351,229</u>	<u>-</u>	<u>351,229</u>
Disbursements:			
Personal Services	108,063	-	108,063
Employee Fringe Benefits	38,806	-	38,806
Contractual Services	163,270	-	163,270
Material and Supplies	36,304	-	36,304
Other	740	500	1,240
Total Disbursements	<u>347,183</u>	<u>500</u>	<u>347,683</u>
Excess of Receipts Over/(Under) Disbursements	4,046	(500)	3,546
Non-Operating Receipts/(Disbursements):			
Special Assessments	600	-	600
Earnings on Investments	5,298	-	5,298
Sale of Bonds	433,000	-	433,000
Other Debt Proceeds	56,500	-	56,500
Capital Outlay	(12,269)	-	(12,269)
Redemption of Principal	(530,552)	-	(530,552)
Interest and Other Fiscal Charges	(35,101)	-	(35,101)
Other Non-Operating Disbursements	(52,886)	-	(52,886)
Total Non-Operating Receipts/(Disbursements)	<u>(135,410)</u>	<u>-</u>	<u>(135,410)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	(131,364)	(500)	(131,864)
Fund Cash Balance, January 1, 2010	<u>464,278</u>	<u>808</u>	<u>465,086</u>
Fund Cash Balance, December 31, 2010	<u>\$ 332,914</u>	<u>\$ 308</u>	<u>\$ 333,222</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of DeGraff, Logan County (the Village) is a body corporate and politic established for the purpose of exercising 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 government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the Ohio laws.

Special Revenue Funds:

- Street Construction, Maintenance and Repair Fund – This fund accounts for all transactions relating to maintaining and repairing streets.
- Fire Fund – This fund account is for all transactions relating to operations of the Volunteer Fire Department and all qualified expenditures for the Fire Department.

Other governmental funds of the Village are used to account for grants and other resources, and capital projects whose use is restricted to a particular purpose.

Proprietary Fund Types:

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

The Village has 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 – The sewer fund receives charges for the use of sanitary sewer services to the residents and commercial users within the Village.
- Sewer Reserve Fund – Established per the bond sinking fund requirements to accumulate funds for bond retirement.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

- Sewer Construction Fund- This fund receives loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Village's fiduciary funds include:

- Private Purpose Trust – Community Service Scholarship Program. The Village receipts contributions to the Scholarship Fund as a private purpose trust. A Scholarship Committee made up of individuals from the School District and Village select the recipient annually.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS- (Continued)

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2010 and 2011. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

F. FUND BALANCE

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

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

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

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE - (continued)

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

4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council.

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

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

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	<u>2011</u>	<u>2010</u>
Demand Deposits	\$ <u>218,627</u>	\$ <u>433,739</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (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.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>Fund:</u>	<u>2011 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$280,044	\$232,275	\$(47,769)
Special Revenue Funds	200,292	190,197	(10,095)
Enterprise Fund	487,065	425,652	(61,413)
Private Trust Fund	503	502	(1)

<u>Fund:</u>	<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$282,170	\$229,410	\$52,760
Special Revenue Funds	298,685	186,649	112,036
Enterprise Fund	819,979	647,179	172,800
Private Trust Fund	810	500	810

<u>Fund:</u>	<u>2010 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$351,545	\$265,076	\$(86,469)
Special Revenue Funds	179,497	163,481	(16,016)
Enterprise Fund	879,127	846,627	(32,500)
Private Trust Fund	92	-	(92)

<u>Fund:</u>	<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$366,807	\$282,122	\$84,685
Special Revenue Funds	246,100	158,309	87,791
Enterprise Fund	1,343,404	977,991	365,413
Private Trust Fund	900	500	400

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2011 and 2010 OPERS, members contributed 10.00% of their gross pay while the Village contributed an amount equal to 14.00% of covered payroll. The Village paid all required contributions through 2011.

6. INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2011 and 2010 the Village collected \$147,148 and \$150,199, respectively.

7. RISK MANAGEMENT

The Village has obtained commercial insurance through Westfield Insurance Co. for the following risks

General Liability	\$3,000,000
Auto Liability & Auto physical damage	1,000,000
Property coverage	2,171,664
Public Official's liability	1,000,000
Inland Marine coverage	416,301
Employee Benefits Liability coverage	1,000,000
Commercial Crime coverage	1,000,000

Casualty excess-of-loss contracts at December 31, 2011 and 2010 generally protect against individual losses exceeding over the deductible. Property coverage contracts protect against losses, subject to a deductible of \$250-\$2,500, limited to an annual aggregate loss per schedule.

The Village provides major medical/life insurance coverage to full-time employees through a private carrier.

Settled claims have not exceeded coverage in the past 3 years. Limits have not been reduced from the previous year.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

8. DEBT

Debt outstanding at December 31, 2011 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Citizens Bank-Roxy Bldg	\$ 17,355	5.750%
OPWC Loan CM10B	90,018	0.00%
OWDA #3032	34,073	6.750%
USDA Bonds	425,900	4.125%
OWDA #4939	266,675	4.710%
OPWC Loan CM27I	255,803	0.00%
	<u>\$ 1,089,824</u>	

In 2009, the Village purchased real estate located at 112 South Main Street (the Roxy building) to provide additional office space for the Village. The purchase was financed with a \$20,000 loan through the Citizens Bank of DeGraff at 5.75%. The loan will be repaid over the next 15 years with semi-annual interest payments and annual principal payments of \$1,333 beginning in 2010.

The Ohio Public Works Commission (OPWC) Loan # CM10B (1998) was obtained to pay for the South End Waterline Replacement Project. The interest free loan will be repaid in semiannual installments of \$5,295 over 20 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Ohio Water Development Authority (OWDA) Loan # 3032 (1993) was obtained for the purpose of paying for the costs of water plant improvement that was mandated by the Ohio Protection Agency. The loan will be repaid in semiannual installments of \$2,972, including interest over 25 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

In 2010 the Village issued \$433,000 Water System Mortgage Revenue Bonds purchased by USDA Rural Development to retire OWDA loan #4892 for the improvement of its water system including the construction of a new water tower. The bonds bear interest at 4.125% and require annual principal payments of \$7,100 to \$24,400 through 2040.

The Ohio Water Development Authority (OWDA) Loan # 4939 (2009) was obtained for the purpose of paying for the costs of a new water tower/tank that was mandated for replacement by the Ohio Protection Agency. The loan will be repaid in semi-annual installments over 30 years. The loan was approved for \$300,000 of which \$127,121 was drawn on the loan plus capitalized interest of \$313. First payment was due January 1, 2010 and final payment due July 1, 2039. Amortization schedule not available as of report date. The loan is secured by the water receipts. The village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

8. DEBT - (Continued)

The Ohio Public Works Commission (OPWC) Loan #CM27I (2008) was obtained to pay for the New Water Tower Replacement Project. The interest free loan will be repaid in semi-annual installments of \$ 7,309 over 20 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

Year Ending December 31	Citizens Bank-Roxy Bldg		
	Payment	Principal	Interest
2012	\$ 2,330	\$ 1,333	\$ 997
2013	2,253	1,333	920
2014	2,176	1,333	843
2015	1,946	1,333	613
2016	1,946	1,333	613
2017-2021	8,810	6,665	2,145
2022-2024	5,174	4,025	1,149
Totals	\$ <u>24,635</u>	\$ <u>17,355</u>	\$ <u>7,280</u>

Year Ending December 31	OPWC CM10B Principal
2012	\$ 5,295
2013	5,295
2014	5,295
2015	5,295
2016	5,295
2017-2021	26,475
2022-2026	26,475
2027-2028	10,593
Totals	\$ <u>90,018</u>

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

8. DEBT - (Continued)

Year Ending December 31	OWDA #3032		
	Payment	Principal	Interest
2012	\$ 5,942	\$ 3,643	\$ 2,299
2013	5,943	3,889	2,054
2014	5,944	4,152	1,792
2015	5,943	4,432	1,511
2016	5,943	4,731	1,212
2017-2019	14,860	13,226	1,634
Totals	\$ <u>44,575</u>	\$ <u>34,073</u>	\$ <u>10,502</u>

Year Ending December 31	USDA BOND		
	Payment	Principal	Interest
2012	\$ 23,892	\$ 7,900	\$ 15,992
2013	24,920	8,200	16,720
2014	24,892	8,500	16,392
2015	24,952	8,900	16,052
2016	24,996	9,300	15,696
2017-2021	124,908	52,300	72,608
2022-2026	125,340	64,100	61,240
2027-2031	125,812	78,500	47,312
2032-2036	126,364	96,100	30,264
2037-2040	101,492	92,100	9,392
Totals	\$ <u>727,568</u>	\$ <u>425,900</u>	\$ <u>301,668</u>

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

8. DEBT - (Continued)

Year Ending December 31	OPWC CM27I Principal
2012	\$ 14,617
2013	14,617
2014	14,617
2015	14,617
2016	14,617
2017-2021	73,085
2022-2026	73,085
2027-2029	36,548
Totals	\$ 255,803

9. JOINT VENTURES

Quincy-DeGraff WWTP Facility:

The Village of DeGraff and the Village of Quincy jointly own and operate a waste water treatment facility. Both communities share in all costs of improvements and operations. Both communities include in their budgets and annual appropriations for their respective portion of these costs. Both communities agree to adjust and collect sewer revenues sufficient to cover these costs. Financial responsibility will continue as long as the Village is a joint owner of this facility. Both Villages agree to set and establish rates to meet financial responsibility. The Village will continue with financial responsibility as long as the Village is a joint owner of this facility.

The total cost of the project was estimated at \$3,000,000, less grants which left a balance of approximately \$1,600,000 to be financed. The Village of Quincy obtained financing for the project. Revenues are collected by both communities, and appropriations are established by each community for upgrade and operation expenditures. The approximate share of cost to be paid by each entity is determined by the actual flow from each community (which is measurable) into the plant. On July 1st of each year, the percentage of cost ratio is reviewed and adjusted based on actual flow for the previous year, and the newly established rates take affect on January 1st of the following year. The Village of DeGraff paid a share rate of 67.5 and 72.5 percent for all operation and upgrade costs in 2011 and 2010, respectively.

In 2011 and 2010 the Village share paid to the Village of Quincy was \$45,956 and \$52,886, respectively.

**VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

9. JOINT VENTURES - (Continued)

The following is a summary of the Village's future annual service requirements assuming an approximate 72.5 percent usage by the Village of DeGraff. Payments are reported as other nonoperating disbursements in the enterprise fund.

Year Ending December 31	Village of DeGraff-OWDA		
	Payment	Principal	Interest
2012	\$ 52,887	\$ 37,927	\$ 14,960
2013	52,887	38,498	14,389
2014	52,887	39,078	13,809
2015	52,887	39,666	13,221
2016	52,887	40,263	12,624
2017-2021	264,434	210,592	53,842
2022-2026	264,436	226,932	37,504
2027-2031	264,436	244,539	19,897
2032-2034	132,218	129,294	2,925
Totals	<u>\$ 1,189,958</u>	<u>\$ 1,006,788</u>	<u>\$ 183,171</u>

The Village of DeGraff and the Village of Quincy have established a Joint Sewer Board Committee (JSB) in order to meet and discuss issues concerning the Waste Water Treatment Plant. The JSB meets monthly, and reports all issues and concerns with operations to their respective Mayors and Councils for review. Legislative issues require the majority vote of both Councils. Mayors of each community appoint the Joint Sewer Board Committee members annually and the Fiscal Officer of each community acts as Clerk for the JSB on rotating years, and the Mayors of each community acts as Chairman for the JSB on opposite years as their village fiscal officer; (i.e., Quincy Mayor/DeGraff Fiscal Officer for odd years, and DeGraff Mayor/Quincy Fiscal Officer for even years).

Greenwood-Union Cemetery:

The Village of DeGraff and the Pleasant Township Trustees jointly own and operate the cemetery. Each entity collects tax revenues for the operations of the Cemetery. The Village will continue financial responsibility as long as the Village is a joint owner of this facility.

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three (3) member Board. The majority vote revolves every two (2) years. The Pleasant Township Trustees appointed two (2) members to the board in 2011. The Village Mayor appointed one (1) council member to the Cemetery Board in 2011. The Cemetery Board has Voting Authority for the cemetery.

VILLAGE OF DEGRAFF
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

9. JOINT VENTURES - (Continued)

The Village of DeGraff supports the Cemetery through a voted tax levy. This levy money along with the related homestead and rollback revenue is received by the Village and then distributed to the Cemetery. These revenues are receipted as “memo” receipts. The gross amount of the settlement is receipted, and then the applicable distributions are charged to the appropriate accounts, and then the net amount is reflected as a reimbursement.

10. CHANGE IN ACCOUNTING PRINCIPLE AND FINANCIAL STATEMENT PRESENTATION

In prior years, the Village prepared the financial statements and related footnotes in accordance with the Governmental Accounting Standards Board Statement Number 34 cash basis “look-alike” presentation. That accounting basis segregated larger (major) funds from the smaller (non-major) funds. In 2010, the Village changed their financial statement presentation to the Auditor of State regulatory basis, which is similar to the cash basis of accounting. It combines all related funds into separate columns (General, Special Revenue, Enterprise and Private Purpose Trust).

For 2010, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

11. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Cleveland OH 44113-1306
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Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of DeGraff
Logan County
107 South Main Street
P.O. Box 309
DeGraff, Ohio 43318

To Village Council:

We have audited the financial statements of the Village of DeGraff, Logan County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 2, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and implemented GASB Statement No. 54. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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

Charles E. Harris Associates

Charles E. Harris and Associates, Inc.

October 2, 2012

VILLAGE OF DEGRAFF
 LOGAN COUNTY, OHIO
 For the Years Ended December 31, 2011 and 2010

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Rev. Code Section 5705.41 (D) Failure to certify expenditures	Yes	
2009-002	Ohio Rev. Code, Section 5705.36 - Failure to obtain the amended certificate of estimated resources	Yes	
2009-003	Ohio Rev. Code Section 5705.39 appropriations exceeding estimated resources	Yes	
2009-004	Material Weakness - Ohio Rev. Code, Section 733.28 Failure to properly maintain books and records	Yes	
2009-005	Material Weakness – Income tax receipt recording	Yes	

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Dave Yost • Auditor of State

VILLAGE OF DEGRAFF

LOGAN 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
DECEMBER 20, 2012