



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF DEGRAFF
LOGAN COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	18

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of DeGraff
Logan County
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, (the "Village"), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of DeGraff
Logan County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 28, 2002

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$180,352	\$6,684	\$187,036
Intergovernmental Receipts	72,004	41,570	113,574
Charges for Services	9,400		9,400
Fines, Licenses, and Permits	4,682		4,682
Earnings on Investments	18,158	655	18,813
Miscellaneous	33,853		33,853
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	318,449	48,909	367,358
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	69,572		69,572
Public Health Services	12,044		12,044
Leisure Time Activities	7,752		7,752
Community Environment	2,600		2,600
Basic Utility Services	11,565		11,565
Transportation	80,743	49,651	130,394
General Government	82,077		82,077
Capital Outlay	26,811		26,811
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	293,164	49,651	342,815
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	25,285	(742)	24,543
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	294,493	26,772	321,265
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$319,778</u>	<u>\$26,030</u>	<u>\$345,808</u>

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$364,418
Miscellaneous	3,187
	<u>367,605</u>
Total Operating Cash Receipts	<u>367,605</u>
Operating Cash Disbursements:	
Personal Services	93,708
Contractual Services	154,004
Supplies and Materials	29,363
Capital Outlay	63,692
	<u>340,767</u>
Total Operating Cash Disbursements	<u>340,767</u>
Operating Income	<u>26,838</u>
Non-Operating Cash Receipts:	
Interest	14,275
Proceeds from Loan	250,000
Other Non-Operating Receipts	3,350
	<u>267,625</u>
Total Non-Operating Cash Receipts	<u>267,625</u>
Non-Operating Cash Disbursements:	
Debt Service	112,530
Other Non-Operating Cash Disbursements	2,331
	<u>114,861</u>
Total Non-Operating Cash Disbursements	<u>114,861</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	179,602
Transfers-In	4,404
Transfers-Out	(4,404)
	<u>179,602</u>
Net Receipts Over Disbursements	179,602
Fund Cash Balances, January 1	<u>287,541</u>
Fund Cash Balances, December 31	<u><u>\$467,143</u></u>

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$182,308	\$6,698	\$189,006
Intergovernmental Receipts	91,490	40,993	132,483
Charges for Services	4,800		4,800
Fines, Licenses, and Permits	9,019		9,019
Earnings on Investments	12,533	773	13,306
Miscellaneous	17,829		17,829
	<u>317,979</u>	<u>48,464</u>	<u>366,443</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	63,443		63,443
Public Health Services	4,300		4,300
Leisure Time Activities	55,127		55,127
Community Environment	2,246		2,246
Basic Utility Services	1,110		1,110
Transportation	57,673	57,012	114,685
General Government	73,986		73,986
	<u>257,885</u>	<u>57,012</u>	<u>314,897</u>
Total Receipts Over/(Under) Disbursements	60,094	(8,548)	51,546
Fund Cash Balances, January 1	234,399	35,320	269,719
Fund Cash Balances, December 31	<u><u>\$294,493</u></u>	<u><u>\$26,772</u></u>	<u><u>\$321,265</u></u>
Reserves for Encumbrances, December 31	<u><u>\$5,063</u></u>	<u><u>\$0</u></u>	<u><u>\$5,063</u></u>

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$328,182
Miscellaneous	3,802
	331,984
Total Operating Cash Receipts	331,984
Operating Cash Disbursements:	
Personal Services	93,740
Contractual Services	113,847
Supplies and Materials	43,062
Capital Outlay	40,273
	290,922
Total Operating Cash Disbursements	290,922
Operating Income	41,062
Non-Operating Cash Receipts:	
Proceeds from Note	22,328
Other Non-Operating Receipts	3,146
	25,474
Total Non-Operating Cash Receipts	25,474
Non-Operating Cash Disbursements:	
Debt Service	16,534
Other Non-Operating Cash Disbursements	2,372
	18,906
Total Non-Operating Cash Disbursements	18,906
Excess of Receipts Over Disbursements Before Interfund Transfers	47,630
Transfers-In	4,404
Transfers-Out	(4,404)
	47,630
Net Receipts Over Disbursements	47,630
Fund Cash Balances, January 1	239,911
Fund Cash Balances, December 31	\$287,541
Reserve for Encumbrances, December 31	\$54,474

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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 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 and sewer utilities, park operations, and police and fire 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

Village money is in an interest-bearing checking account and a certificate of deposit which are valued at cost.

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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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.

Permissive Motor Vehicle License Fund -This fund receives auto registration taxes from the village residents for constructing, maintaining and repairing of Village streets.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

These funds 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.

E. Budgetary Process

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

1. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. 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. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 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. 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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:

	2001	2000
Demand deposits	\$716,226	\$523,426
Certificates of deposit	96,725	85,380
Total deposits	812,951	608,806

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,650	\$318,449	\$77,799
Special Revenue	40,950	48,909	7,959
Enterprise	773,973	639,634	(134,339)
Total	\$1,055,573	\$1,006,992	(\$48,581)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$527,143	\$293,164	\$233,979
Special Revenue	68,720	49,651	19,069
Enterprise	798,469	460,032	338,437
Total	\$1,394,332	\$802,847	\$591,485

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,000	\$317,979	\$79,979
Special Revenue	61,381	48,464	(12,917)
Enterprise	332,404	361,862	29,458
Total	\$631,785	\$728,305	\$96,520

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,399	\$262,948	\$203,451
Special Revenue	67,720	57,012	10,708
Enterprise	448,525	368,706	79,819
Total	\$982,644	\$688,666	\$293,978

Appropriation modifications were recorded in the financial records without evidence of the approval of Council. This violates the requirements of Ohio Rev. Code Section 5705.40. The budgetary note presents the amounts approved by Council.

During 2001 and 2000 the Village had expenditures that exceeded appropriations at the legal level of control. This violates the requirements of Ohio Rev. Code Section 5705.41 (B).

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.

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

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.

5. LOCAL INCOME TAX

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

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Mortgage Sanitary Sewerage System Bonds-1986	\$65,600	6.375%
Ohio Water Development Authority Loan (OWDA)	58,891	6.750%
First Mortgage Sanitary Sewerage System Bonds-1984	330,000	5.000%
Ohio Public Works Commission Loan	190,627	n/a
Sewer System Improvement Loan	250,000	5.500%
Total	<u>\$895,118</u>	

The Ohio Water Development Authority (OWDA) loan was for water plant improvement that was mandated by the Ohio Environment Protection Agency. The loans will be repaid in annual installments of \$5,948, including interest over twenty-five years.

The First Mortgage Sanitary Sewerage System Revenue Bonds dated 1984 and 1986 were for sewer improvements with annually payments of principal and interest over forty years.

The Ohio Public Works Commission (OPWC) loan was to pay for the South End Waterline Replacement Project. The interest free loan will be repaid in semi-annual installments of \$5,295 over twenty years. During the year 2000, the Village received an additional \$22,328. The bonds and loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

During 2001 the Village entered in to a \$250,000 note with 5.5 percent with Citizens Bank of DeGraff for the purpose of improving the municipal sewerage system. The note is due to mature November 27, 2001.

As required by the bonds covenant for the First Mortgage Sanitary Sewerage System Revenue Bonds dated 1984 and 1986, the Village has established and funded an Enterprise Debt Service Reserve Fund. The balance in the fund at December 31, 2001 is \$ 120,715.81.

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

	<u>First Mortgage Sewerage Bonds-1984</u>	<u>First Mortgage Sewerage Bonds-1986</u>	<u>OWDA Loan</u>	<u>Ohio Public Works Commission</u>
Year ending December 31:				
2002	\$42,500	\$5,382	\$5,948	\$10,590
2003	43,200	5,406	5,947	10,590
2004	42,800	5,423	5,949	10,590
2005	42,350	5,433	5,947	10,590
2006	42,850	5,438	5,948	10,590
2007-2011	213,750	27,032	29,739	52,960
2012-2016		27,003	29,540	52,960
2017-2021		27,036	11,595	31,757
2022-2026		21,660		
Total	<u>\$427,450</u>	<u>\$129,813</u>	<u>\$100,613</u>	<u>\$190,627</u>

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

In addition to the debt described above, during 2001 the Village entered into a municipal equipment lease for a backhoe. The lease will be paid in four installments of \$15,089 and will be paid through general operating funds.

7. RETIREMENT SYSTEMS

The Village's firemen belong to either the Social Security System or the Public Employees Retirement System (PERS). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

For 2001 and 2000, members of Social Security System contributed 6.2% of their wages to Social Security. The Village contributed an amount equal to 7.65% of their wages.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- General liability
- Auto liability & Auto Physical Damage;
- Property Coverage
- Public Official's liability
- Inland Marine Coverage
- Employee Benefits Liability Coverage
- Commercial Crime Coverage

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

9. SUBSEQUENT EVENT

The Village is under EPA mandate to upgrade their Waste Water Treatment Plant. The Village will share the costs of this upgrade with the Village of Quincy. The total cost of the project is estimated at \$3,000,000 which will be financed with loans and State grants along with a federal grant of \$875,000. The anticipated start date for this project is August 2002.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of DeGraff
Logan County
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, (the "Village"), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 28, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30246-001 through 2001-302460-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 28, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 28, 2002.

Village of DeGraff
Logan County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

June 28, 2002

VILLAGE OF DEGRAFF
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30246-001

Noncompliance Citation

Ohio Rev. Code Section 135.18 (A) states the treasurer must require the institution designated as a public depository to pledge to the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above such portion or amount of such money as is at such time insured by the federal deposit insurance corporation.

At March 31, June 30, September 30, December 31, 2000 and March 31, June 30, and September 30, 2001 the Village's deposits lacked sufficient pledged collateral in the amounts of \$134,965, \$169,466, \$134,965, \$5,378, \$109,136, \$132,387 and \$46,534 respectively.

The Village should implement monitoring procedures that require the frequent review of bank collateral statements to help assure that sufficient collateral is pledged for their deposits.

FINDING NUMBER 2001-30246-002

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of laws as are used in making the original appropriation. During 2001, the General Fund, the Special Revenue Street Repair and Maintenance Fund, and the Enterprise Sewer Operating Fund appropriations recorded in the accounting records exceeded approved appropriations by 5%, 5% and 15% respectively. During 2000, the General Fund and the Enterprise Sewer Operating Fund appropriations recorded in the accounting records exceeded approved appropriations by 2% and 12% respectively. There was no evidence to indicate that the noted differences had been approved by Council. The Budgetary note amounts in this report have been adjusted to reflect the actual amount approved by Council.

To help assure compliance with this and Other Rev. Code requirements, the Village should implement procedures for periodically verifying the recorded appropriations agree to those approved by Council.

FINDING NUMBER 2001-30246-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following line items had expenditures that exceeded appropriations at the legal level of control (fund/function/object):

Line Item	Appropriations	Expenditures	Difference
General Fund – 2001			
-Security – Fire		\$8,000	(\$8,000)
- Public Health – Cemetery	5,000	7,744	(2,744)
- Community Environment - Zoning	100	154	(54)
- Government – Other	6,000	6,672	(672)
Street Repair and Maintenance Fund – 2001			
- Transportation	6,000	9,750	(3,750)
Water Operating – 2001			
- Water – Office	7,500	8,672	(1,172)
- Water – Supply	20,000	24,392	(4,392)
Sewer Operating – 2001			
- Sewer – Pumping – Supply	8,500	8,760	(260)
- Sewer – Pumping – Salaries	1,100	1,301	(201)
- Sewer – Equipment – Debt Interest	38,272	45,246	(6,974)
- Sewer – Equipment – Debt Principal	50,100	50,750	(650)
- Sewer – Pumping – Basic utility – WWTP	20,000	111,629	(91,629)
General Fund – 2000			
-Security of Persons & Property – Police Department	2,000	2,613	(613)
-Cultural Facilities – Leisure Time Activities	2,400	2,925	(525)
- General Government – Other – County Auditor Fees	400	1,113	(713)
-General Government – Other – State Auditor Fees	8,000	12,304	(4,304)
Water Operating – 2000			
-Water – Office – Supplies	2,200	2,822	(622)
-Water – Supply	20,000	22,017	(2,017)
- Water – Supply – Plant Supplies	40,000	44,262	(4,262)
Sewer Operating – 2000			
-Basic Utility – Office	2,200	2,772	(572)
-Basic Utility – Pumping Station – Salaries	6,500	8,212	(1,712)
-Basic Utility – Pumping Station-Supplies - WWTP	2,500	50,898	(48,398)

The Clerk-Treasurer should deny payment requests exceeding appropriations. The Clerk-Treasurer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2001-30246-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is 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.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for villages may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditures is otherwise lawfull. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

One hundred percent of Village's transactions were not certified by the Clerk/Treasurer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented to not only help assure compliance with this requirement, help prevent the unauthorized obligation of Village funds.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30246-001	ORC Sec. 5705.41 (D), expenditures not certified by the clerk	No	Repeated as Funding Number 2001-30260-004
1999-30246-002	Ohio Admin Code Section 117-5-11 (C)	No	No longer valid.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
AUGUST 6, 2002**