



**VILLAGE OF DEGRAFF  
LOGAN COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

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Village Council  
Village of DeGraff  
107 South Main Street  
DeGraff, OH 43318

We have reviewed the *Independent Auditor's Report* of the Village of DeGraff, Logan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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.

In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is currently conducting an investigation at the Village. A separate report will be issued in the future addressing any control or compliance issues noted as a result of the investigation.

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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

June 12, 2020

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VILLAGE OF DEGRAFF  
LOGAN COUNTY

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## INDEPENDENT AUDITOR'S REPORT

April 24, 2020

Village of DeGraff  
Logan County  
107 South Main Street  
DeGraff, OH 43318

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of DeGraff**, Logan County, (the Village) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016 and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of DeGraff, Logan County, as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF DEGRAFF  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 29,246	\$ 38,186	\$ 67,432
Municipal Income Tax	224,351	-	224,351
Intergovernmental	24,103	61,467	85,570
Special Assessments	-	853	853
Charges for Services	-	15,114	15,114
Fines, Licenses and Permits	7,825	-	7,825
Earnings on Investments	506	55	561
Miscellaneous	13,641	89	13,730
<i>Total Cash Receipts</i>	<u>299,672</u>	<u>115,764</u>	<u>415,436</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	58,759	29,807	88,566
Public Health Services	-	9,010	9,010
Leisure Time Activities	27,478	-	27,478
Community Environment	4,250	-	4,250
Transportation	41,568	72,618	114,186
General Government	159,468	551	160,019
Debt Service:			
Principal Retirement	1,333	-	1,333
Interest and Fiscal Charges	693	-	693
<i>Total Cash Disbursements</i>	<u>293,549</u>	<u>111,986</u>	<u>405,535</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	6,123	3,778	9,901
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	1,000	1,000
Transfers Out	(1,000)	-	(1,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>1,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	5,123	4,778	9,901
<i>Fund Cash Balances, January 1</i>	<u>(2,524)</u>	<u>80,778</u>	<u>78,254</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	85,556	85,556
Unassigned	2,599	-	2,599
<i>Fund Cash Balances, December 31</i>	<u><b>\$ 2,599</b></u>	<u><b>\$ 85,556</b></u>	<u><b>\$ 88,155</b></u>

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

**VILLAGE OF DEGRAFF  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 452,231	\$ -	\$ 452,231
<i>Total Operating Cash Receipts</i>	<u>452,231</u>	<u>-</u>	<u>452,231</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	112,400	-	112,400
Employee Fringe Benefits	72,612	-	72,612
Contractual Services	134,444	-	134,444
Supplies and Materials	33,430	-	33,430
Other	60,623	-	60,623
<i>Total Operating Cash Disbursements</i>	<u>413,509</u>	<u>-</u>	<u>413,509</u>
<i>Operating Income</i>	38,722	-	38,722
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Intergovernmental	376,557	-	376,557
Miscellaneous Receipts	39,800	-	39,800
Debt Proceeds	223,301	-	223,301
Capital Outlay	(589,982)	-	(589,982)
Principal Retirement	(53,793)	-	(53,793)
Interest and Other Fiscal Charges	(27,513)	-	(27,513)
Other Financing Uses	(51,063)	(500)	(51,563)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(82,693)</u>	<u>(500)</u>	<u>(83,193)</u>
<i>Income (Loss) Before Transfers</i>	(43,971)	-	(44,471)
Transfer-In	850	-	850
Transfer-Out	(850)	-	(850)
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(43,971)	(500)	(44,471)
<i>Fund Cash Balances, January 1</i>	<u>133,555</u>	<u>519</u>	<u>134,074</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 89,584</b></u>	<u><b>\$ 19</b></u>	<u><b>\$ 89,603</b></u>

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

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The Village of DeGraff (the Village), Logan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street operations, park operations, cemetery operation, and police and fire services. The Village contracts with Riverside EMS to provide ambulance services to the local residents.

***Joint Venture and Public Entity Risk Pool***

The Village participates in two joint ventures and a public entity risk pool. Notes 11 and 12 to the financial statements provide additional information for these entities. These organizations are:

Joint Ventures:

*The Quincy-DeGraff Waste Water Treatment Facility*  
*The Greenwood-Union Cemetery*

Public Entity Risk Pool:

*Public Entity Risk Pool of Ohio*

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entry with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** – These funds account for and report the proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair Fund*** – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees for construction, maintenance and repair of streets within the Village.

***Fire Fund*** – The fire fund accounts for property taxes restricted for the operations of the DeGraff Volunteer Fire Department.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Capital Projects Funds** – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

**Other Capital Projects Fund** – The other capital projects fund accounts for and reports state pass-through grants used for construction, maintenance and repair projects within the Village.

**Enterprise Funds** – These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Fund** – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** – Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is for a scholarship for the benefit of a graduating senior from the Riverside Local School District.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**Appropriations** – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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

A summary of 2017 budgetary activity appears in Note 3.

**Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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. The classifications are as follows:

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

**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 it is imposed by law through constitutional provisions.

**Committed** – 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.

**Assigned** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**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.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 585,023	\$ 299,672	\$ 285,351
Special Revenue	116,310	116,764	(454)
Capital Projects	25,000	-	25,000
Enterprise	1,649,454	1,092,739	556,715
Trust	980	-	980
Total	\$ 2,376,767	\$ 1,509,175	\$ 867,592

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 582,400	\$ 294,549	\$ 287,851
Special Revenue	192,200	111,986	80,214
Capital Projects	25,000	-	25,000
Enterprise	1,778,916	1,136,710	642,206
Trust	1,500	500	1,000
Total	\$ 2,580,016	\$ 1,543,745	\$ 1,036,271

**Note 4 – Deposits**

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

	2017
Demand deposits	\$ 177,758
Total deposits	\$ 177,758

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

***Income Taxes***

The Village levies a municipal income tax of 1 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 Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management** (continued)

	<b><u>2017</u></b>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**2017 Contributions to PEP**  
\$22,321

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Social Security***

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.



**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
General Obligation Bonds:		
Water System Mortgage Revenue Bonds	\$ 373,500	4.00%
OPWC Loans:		
CM10B - South End Waterline Replacement	26,476	0.00%
CM271 - Water Tower Replacement	168,099	0.00%
Total OPWC Loans	194,575	
OWDA Loans:		
#3032 - Water Works Renovation	8,174	6.75%
#4939 - Water Tower	235,315	4.71%
#7407 - Sanitary Sewer Pump Station & Force Main	446,137	0.00%
#7574 - Water Supply & Treatment	38,000	0.00%
Total OWDA Loans	727,626	
Loans Payable:		
Annex Building Loan	9,335	5.75%
Total	\$ 1,305,036	

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 percent and require annual principal payments of \$7,100 to \$24,400 through 2040.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2017 is \$16,144.

The Village has two loans outstanding with the Ohio Public Works Commission (OPWC) for waterline and water tower replacements to be repaid in semi-annual installments over 20 years.

The Village has four loans outstanding with the Ohio Water Development Authority (OWDA). The first three loans are for the improvement of the Village's water system and will be repaid over 25, 30 and 5 year, respectively. The fourth loan is for the Sanitary Sewer Pump Station and Force Main, and will be repaid over 20 years.

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 Buckeye State Bank at 5.75 percent. The loan will be repaid over 15 years with semi-annual interest payments and annual principal payments of \$1,333.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt** (continued)

*Amortization*

Amortization of the above debt (other than the OWDA Water System Engineering Report and Sanitary Sewer Pump Station and Force Main loans, as these loans are not finalized), including interest, is scheduled as follows:

Year ending December 31:	OPWC #CM10B	OPWC #CM271	OWDA #3032
2018	\$ 10,590	\$ 14,617	\$ 5,718
2019	10,591	14,617	2,895
2020	5,295	14,617	-
2021	-	14,618	-
2022	-	14,617	-
2023-2027	-	73,087	-
2028-2029	-	21,926	-
Total	<u>\$ 26,476</u>	<u>\$ 168,099</u>	<u>\$ 8,613</u>

Year ending December 31:	OWDA #4939	USDA Bonds	Building Loan
2018	\$ 15,633	\$ 24,940	\$ 1,832
2019	15,678	25,040	1,755
2020	15,726	25,020	1,678
2021	15,775	24,984	1,602
2022	15,827	25,032	4,345
2023-2027	80,005	125,476	-
2028-2032	81,728	125,872	-
2033-2037	83,903	126,520	-
2038-2039	34,293	76,108	-
Total	<u>\$ 358,568</u>	<u>\$ 578,992</u>	<u>\$ 11,212</u>

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 11 – Joint Ventures**

**A. Quincy-DeGraff Waste Water Treatment Plant**

The Village of DeGraff and the Village of Quincy jointly own and operate a waste water treatment facility. Both communities include in their budgets an annual appropriation 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.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 11 – Joint Ventures** (continued)

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 1<sup>st</sup> 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 effect on January 1<sup>st</sup> of the following year. In 2017, the Village share paid to the Village of Quincy was \$51,063 for operating costs and debt retirement.

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 the 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.

**B. 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 member Board. The majority vote revolves every two years. The Pleasant Township Trustees appointed two members to the board in 2015. The Village Mayor appointed one council member to the Cemetery Board in 2015. The Cemetery Board has voting authority for the cemetery.

**Note 12 – Public Entity Risk Pool**

The Public Entities Pool of Ohio (Pool) is a public entity shared risk pool which provides various risk management services to its members. The Pool is governed by a seven member board of directors; six are member representatives or elected officials and one is a representative of the pool administrator, American Risk Pooling Consultants, Inc. Each member has one vote on all issues addressed by the Board of Directors.

Participation in the Pool is by written application subject to the terms of the pool agreement. Members must continue membership for a full year and may withdraw from the Pool by giving a sixty day written notice prior to their annual anniversary. Financial information can be obtained from the Public Entities Pool of Ohio, 6500 Taylor Road, Blacklick, Ohio 43004.

VILLAGE OF DEGRAFF  
LOGAN COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 32,422	\$ 37,760	\$ -	\$ 70,182
Municipal Income Tax	162,564	-	-	162,564
Intergovernmental	20,971	57,958	3,600	82,529
Special Assessments	1,634	-	-	1,634
Charges for Services	-	15,114	-	15,114
Fines, Licenses and Permits	11,136	-	-	11,136
Earnings on Investments	429	40	-	469
Miscellaneous	9,209	-	-	9,209
<i>Total Cash Receipts</i>	<u>238,365</u>	<u>110,872</u>	<u>3,600</u>	<u>352,837</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	70,948	28,092	-	99,040
Public Health Services	-	9,603	-	9,603
Leisure Time Activities	1,509	-	-	1,509
Community Environment	4,110	-	-	4,110
Basic Utility Services	44	-	-	44
Transportation	30,713	56,388	-	87,101
General Government	130,281	661	-	130,942
Capital Outlay	-	-	3,600	3,600
Debt Service:				
Principal Retirement	1,333	-	-	1,333
Interest and Fiscal Charges	843	-	-	843
<i>Total Cash Disbursements</i>	<u>239,781</u>	<u>94,744</u>	<u>3,600</u>	<u>338,125</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,416)	16,128	-	14,712
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	2,000	-	2,000
Transfers Out	(2,000)	-	-	(2,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(3,416)	18,128	-	
<i>Fund Cash Balances, January 1</i>	<u>892</u>	<u>62,650</u>	<u>-</u>	<u>63,542</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	80,778	-	80,778
Unassigned (Deficit)	(2,524)	-	-	(2,524)
<i>Fund Cash Balances, December 31</i>	<u>\$ (2,524)</u>	<u>\$ 80,778</u>	<u>\$ -</u>	<u>\$ 78,254</u>

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

VILLAGE OF DEGRAFF  
LOGAN COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 460,350	\$ -	\$ 460,350
<i>Total Operating Cash Receipts</i>	<u>460,350</u>	<u>-</u>	<u>460,350</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	82,827	-	82,827
Employee Fringe Benefits	49,855	-	49,855
Contractual Services	88,957	-	88,957
Supplies and Materials	13,402	-	13,402
Other	44,733	-	44,733
<i>Total Operating Cash Disbursements</i>	<u>279,774</u>	<u>-</u>	<u>279,774</u>
<i>Operating Income (Loss)</i>	<u>180,576</u>	<u>-</u>	<u>180,576</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Intergovernmental	1,097	-	1,097
Miscellaneous Receipts	-	500	500
Debt Proceeds	265,656	-	265,656
Capital Outlay	(203,991)	-	(203,991)
Principal Retirement	(117,413)	-	(117,413)
Interest and Other Fiscal Charges	(26,239)	-	(26,239)
Other Financing Uses	(50,380)	(500)	(50,880)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(131,270)</u>	<u>-</u>	<u>(131,270)</u>
<i>Income (Loss) before Transfers</i>	49,306	-	49,306
Transfer-In	44,250	-	44,250
Transfer-Out	(44,250)	-	(44,250)
<i>Net Change in Fund Cash Balances</i>	49,306	-	49,306
<i>Fund Cash Balances, January 1</i>	<u>84,249</u>	<u>519</u>	<u>84,768</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 133,555</b></u>	<u><b>\$ 519</b></u>	<u><b>\$ 134,074</b></u>

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

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The Village of DeGraff (the Village), Logan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street operations, park operations, cemetery operation, and police and fire services. The Village contracts with Riverside EMS to provide ambulance services to the local residents.

***Joint Venture and Public Entity Risk Pool***

The Village participates in two joint ventures and a public entity risk pool. Notes 12 and 13 to the financial statements provide additional information for these entities. These organizations are:

Joint Ventures:

*The Quincy-DeGraff Waste Water Treatment Facility*

*The Greenwood-Union Cemetery*

Public Entity Risk Pool:

*Public Entity Risk Pool of Ohio*

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entry with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** – These funds account for and report the proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair Fund*** – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees for construction, maintenance and repair of streets within the Village.

***Fire Fund*** – The fire fund accounts for property taxes restricted for the operations of the DeGraff Volunteer Fire Department.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Capital Projects Funds** – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

**Other Capital Projects Fund** – The other capital projects fund accounts for and reports state pass-through grants used for construction, maintenance and repair projects within the Village.

**Enterprise Funds** – These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Fund** – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** – Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is for a scholarship for the benefit of a graduating senior from the Riverside Local School District.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**Appropriations** – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 County Budget Commission must approve estimated resources.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Encumbrances** – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

**Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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. The classifications are as follows:

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

**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 it is imposed by law through constitutional provisions.

**Committed** – 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.

**Assigned** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**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.



**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Fund for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, the General Fund had a cash deficit balance of \$2,524.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 311,047	\$ 238,365	\$ 72,682
Special Revenue	128,864	112,872	15,992
Capital Projects	10,000	3,600	6,400
Enterprise	692,190	771,353	(79,163)
Trust	980	500	480
Total	\$ 1,143,081	\$ 1,126,690	\$ 16,391

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 311,939	\$ 241,781	\$ 70,158
Special Revenue	190,375	94,744	95,631
Capital Projects	10,000	3,600	6,400
Enterprise	589,575	722,047	(132,472)
Trust	1,500	500	1,000
Total	\$ 1,103,389	\$ 1,062,672	\$ 40,717

**Note 5 – Deposits**

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

Demand deposits	2016 \$ 212,328
Total deposits	\$ 212,328

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

***Income Taxes***

The Village levies a municipal income tax of 1 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 Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 7 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 – Risk Management** (continued)

	<b><u>2016</u></b>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$11,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**2016 Contributions to PEP**  
\$17,235

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds:		
Water System Mortgage Revenue Bonds	\$ 383,100	4.00%
OPWC Loans:		
CM10B - South End Waterline Replacement	37,066	0.00%
CM271 - Water Tower Replacement	<u>182,716</u>	0.00%
Total OPWC Loans	<u>219,782</u>	
OWDA Loans:		
#3032 - Water Works Renovation	13,225	6.75%
#4939 - Water Tower	241,312	4.71%
#6895 - Water System Engineering Report	7,938	0.00%
#7407 - Sanitary Sewer Pump Station & Force Main	<u>260,835</u>	0.00%
Total OWDA Loans	<u>523,310</u>	
Loans Payable:		
Annex Building Loan	<u>10,669</u>	5.75%
Total	<u>\$ 1,136,861</u>	

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 percent and require annual principal payments of \$7,100 to \$24,400 through 2040.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2016 is \$15,294.

The Village has two loans outstanding with the Ohio Public Works Commission (OPWC) for waterline and water tower replacements to be repaid in semi-annual installments over 20 years.

The Village has four loans outstanding with the Ohio Water Development Authority (OWDA). The first three loans are for the improvement of the Village's water system and will be repaid over 25, 30 and 5 year, respectively. The fourth loan is for the Sanitary Sewer Pump Station and Force Main, and will be repaid over 20 years.

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 Buckeye State Bank at 5.75 percent. The loan will be repaid over 15 years with semi-annual interest payments and annual principal payments of \$1,333.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 10 – Debt** (continued)

*Amortization*

Amortization of the above debt (other than the OWDA Water System Engineering Report and Sanitary Sewer Pump Station and Force Main loans, as these loans are not finalized), including interest, is scheduled as follows:

Year ending December 31:	OPWC #CM10B	OPWC #CM271	OWDA #3032
2017	\$ 10,590	\$ 14,617	\$ 5,580
2018	10,590	14,617	5,718
2019	10,591	14,617	2,895
2020	5,295	14,617	-
2021	-	14,618	-
2022-2026	-	73,087	-
2027-2031	-	36,543	-
Total	<u>\$ 37,066</u>	<u>\$ 182,716</u>	<u>\$ 14,193</u>

Year ending December 31:	OWDA #4939	USDA Bonds	Building Loan
2017	\$ 15,590	\$ 24,924	\$ 2,023
2018	15,633	24,940	1,832
2019	15,678	25,040	1,755
2020	15,726	25,020	1,678
2021	15,775	24,984	1,602
2022-2026	79,706	125,340	4,345
2027-2031	81,351	125,812	-
2032-2036	83,426	126,364	-
2037-2041	51,273	101,492	-
Total	<u>\$ 374,158</u>	<u>\$ 603,916</u>	<u>\$ 13,235</u>

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Joint Ventures**

**A. Quincy-DeGraff Waste Water Treatment Plant**

The Village of DeGraff and the Village of Quincy jointly own and operate a waste water treatment facility. Both communities include in their budgets an annual appropriation 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.

**Village of DeGraff, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 12 – Joint Ventures** (continued)

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 1<sup>st</sup> 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 effect on January 1<sup>st</sup> of the following year. In 2016, the Village share paid to the Village of Quincy was \$50,380 for operating costs and debt retirement.

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 the 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.

**B. 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 member Board. The majority vote revolves every two years. The Pleasant Township Trustees appointed two members to the board in 2015. The Village Mayor appointed one council member to the Cemetery Board in 2015. The Cemetery Board has voting authority for the cemetery.

**Note 13 – Public Entity Risk Pool**

The Public Entities Pool of Ohio (Pool) is a public entity shared risk pool which provides various risk management services to its members. The Pool is governed by a seven member board of directors; six are member representatives or elected officials and one is a representative of the pool administrator, American Risk Pooling Consultants, Inc. Each member has one vote on all issues addressed by the Board of Directors.

Participation in the Pool is by written application subject to the terms of the pool agreement. Members must continue membership for a full year and may withdraw from the Pool by giving a sixty day written notice prior to their annual anniversary. Financial information can be obtained from the Public Entities Pool of Ohio, 6500 Taylor Road, Blacklick, Ohio 43004.

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

April 24, 2020

Village of DeGraff  
Logan County  
107 South Main Street  
DeGraff, OH 43318

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of DeGraff**, Logan County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 24, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-001 through 2017-003 in the accompanying schedule of audit findings to be material weaknesses.

### **Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying schedule of audit findings to be a significant deficiency.

### **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, opining 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 audit findings as items 2017-003 and 2017-004.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**Village of DeGraff, Ohio**  
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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness**

**Posting Receipts and Disbursements**

The Village should have procedures and controls in place to help prevent and detect errors in financial reporting.

During 2017 and 2016, some receipts and disbursements were not posted correctly. The following errors were noted:

- Auto license distributions were posted as Property and Other Local Taxes in the General Fund instead of Intergovernmental in the Street Construction Maintenance and Repair and State Highway Funds in 2016;
- Income tax receipt was posted as Property and Other Local Taxes instead of Municipal Income Tax in the General Fund in 2016;
- Rollbacks receipt was posted as Property and Other Local Taxes instead of Intergovernmental in the General Fund in 2017;
- Refunds were posted as Property and Other Local Taxes instead of Miscellaneous in the General Fund in 2017;
- Ohio Department of Public Safety receipt was posted in the General Fund instead of the Permissive Motor Vehicle License Fund in 2017;
- Building loan payments were posted as Security of Persons and Property instead of Principal Retirement and Interest and Other Fiscal Charges in the General Fund in 2017;
- Ohio Water Development Authority debt proceeds were posted as Charges for Services, Special Assessments and Intergovernmental in the Water and Sewer Funds in 2016 and 2017;
- Bond payments were not properly allocated between Principal Retirement and Interest and Other Fiscal Charges in the Enterprise Debt Service Fund in 2016;
- Payments to the Village of Quincy for the joint venture were posted to Principal Retirement and Interest and Other Fiscal Charges instead of Other Financing Uses in the Sewer Fund in 2016 and 2017;
- Sewer daily receipt was posted in the Enterprise Deposit Fund instead of the Sewer Fund in 2016;
- Community Development Block Grant was posted as Special Assessments and Charges for Services instead of Intergovernmental in the Sewer Fund in 2017;
- Reimbursements were posted as Special Assessments instead of Miscellaneous in the Sewer Fund in 2017.

Not posting receipts and disbursements accurately resulted in the financial statements requiring adjustments and reclassifications. The Village has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications. There were also additional errors noted that were not material in nature and are, therefore, not reflected in the financial statements.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

**Village of DeGraff, Ohio**  
*Logan County*  
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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-001 (Continued)**

We recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts.

**Officials' Response** – We did not receive a response from the Village Officials to this finding.

**FINDING NUMBER 2017-002**

**Material Weakness**

**Bank Reconciliations**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council and/or other administrator are responsible for reviewing the reconciliations and related support.

We noted the Village's reconciliation of the bank statements to the cash journal monthly contained multiple errors. A proof of cash was required to fix the variances on the Village's books. Failure to perform reconciliations identifying all reconciling factors and making posting corrections when identified resulted in inaccurate financial information and limited monitoring activities by the Village Council.

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Village Council at monthly meetings and questioned if unidentified reconciling items are included.

**Officials' Response** – We did not receive a response from the Village Officials to this finding.

**Village of DeGraff, Ohio**  
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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-003**

**Material Weakness/Noncompliance**

**Ohio Revised Code Section 149.351** prohibits the destruction or damage of public records. This section states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Section 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

During testing, we noted that the Village did not maintain original supporting documentation for several expenditures in both 2016 and 2017. The Village was also unable to provide access to personnel files, including withholdings forms, licenses and relevant communications.

The Village should implement procedures to ensure all records are properly maintained for audit purposes, to support properly recording within the accounting system, and to demonstrate proper public purpose. Furthermore, no disbursements should be made unless supporting documentation is available.

**Officials' Response** – We did not receive a response from the Village Officials to this finding.

**FINDING NUMBER 2017-004**

**Significant Deficiency/Noncompliance**

**Budgetary Controls**

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit, we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violation of 5705.10 indicating the Village's General Fund had a negative fund balance in 2016.
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**Village of DeGraff, Ohio**  
*Logan County*  
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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-004 (Continued)**

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

**Officials' Response** – We did not receive a response from the Village Officials to this finding.

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JUNE 25, 2020**