

VILLAGE OF DEGRAFF

DAYTON REGION, LOGAN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 – 2004



Mary Taylor, CPA
Auditor of State

Mayor and
Members of Council
Village of DeGraff
P.O. Box 309
DeGraff, Ohio 43318-0309

We have reviewed the *Report of Independent Auditors'* of the Village of DeGraff, Logan County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2005. 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 23, 2007

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VILLAGE OF DEGRAFF
LOGAN COUNTY

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**Manning & Associates CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414**

REPORT OF INDEPENDENT AUDITORS'

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

We have audited the accompanying financial statements of the governmental activities, major funds and aggregate remaining fund information of the Village of DeGraff, Logan County, Ohio, (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprised the Village's basic financial statements as listed in the table of contents.. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 audits provide a reasonable basis for our opinion.

Income tax revenues reported in the Village's general fund are processed by a service organization that is independent of the Village. This service organization did not provide us with evidence regarding the design or proper operation of its internal control system. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of the income tax revenues in the amount of \$185,87 and \$ 172,401 during 2005 and 2004, respectively, reported in the General Fund line item Municipal Income Taxes on the Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Government Funds.

As described in Note 2, the Village has prepared these financial statements and notes using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the collections of income taxes referred to in the preceding paragraph been susceptible to satisfactory tests, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of Village of DeGraff, Logan County, Ohio, as of December 31, 2005 and 2004, and the respective changes in financial position-modified cash basis and the respective budgetary comparison for the General Fund and Street Construction Maintenance and Repair Fund for year ended December 31, 2005 and , the respective budgetary comparison for the General Fund, Street Construction Maintenance and Repair Fund, and MV Permissive for year ended December 31, 2004 in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. See Note 3 Change in basis of accounting and restatement of fund equity.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2006, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basis financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Manning & Associates CPAs, LLC
Dayton, Ohio

November 9, 2006

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Village of DeGraff, Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Village of DeGraff's, Logan County financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2005 and 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities decreased \$4,012 or 4.53 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the MV Permissive Fund, which realized the greatest burden of increased costs in 2005 due to street construction.

The Village's general receipts are primarily income taxes, real estate and property taxes for government activities. Property and income tax receipts for 2005 and 2004 changed very little compared to 2003 as development within the Village has slowed. These receipts represent 64% and 71% for 2005 and 2004, respectively.

Net assets of the Business-type activities increased \$78,816 or 16.1 percent, significant change from 2004. The fund most affected by the increase in cash and cash equivalent was the Sewer Fund due to increased rates for reserving funds for debt service.

The Village collects revenues for services from metered water and sewer usage, and a flat surcharge for sewer for business type activities.

In 2005, the Village received grant funds from FEMA for two major declared disasters; the Snow Emergency Disaster, and the Ice Storm Disaster. Expenses incurred were reimbursed through these grant funds. The Village also received funds from the Department of Homeland Security for Assistance to Firefighters Grant program. The funds were used to purchase new equipment for the Village's Volunteer Fire Department.

In 2005, the residents of the Village passed a Fire Levy placed on the ballot for the Volunteer Fire Department. The tax revenues will be collected in 2005 and available for 2006 Budget. The Fire Levy will generate approximately \$50,000 annually, and will be Received and Appropriated as a Special Revenue Fund.

In 2005 and 2004, the Village made street and curb repairs in the Village. The Village contracts with the lowest and best bidder.

In 2004, The DeGraff/Quincy jointly owned Waste Water Treatment Facility went online for full operations. The Village shares the cost with the Village of Quincy based on the proportionate share of usage. In 2005, 66% was allocated to the Village.

In 2005, the Village purchased three new vehicles for Village operations. The replaced vehicles were in poor condition, and an average of ten years or older. Financing was secured for the purchase of the vehicles.

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Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting. The statements are organized so the reader can understand the Village as a financial whole, or as an entire operating entity.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity (Major Funds) in separate columns. All other nonmajor funds are presented in total in a single column.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village of DeGraff.

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program

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receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fees charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Government as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2005 are the General Fund and the Street Construction Fund and for 2004 the General Fund, the Street Construction Fund, and the MV Permissive Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the water fund and the sewer fund.

Village of DeGraff, Logan County
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Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	84,667	88,679	568,140	489,324	652,807	578,003
Total Assets	\$84,667	\$88,679	\$568,140	\$489,324	\$652,807	\$578,003
Net Assets						
Restricted for:						
Debt Service	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Other Purposes	44,572	60,726	0	0	44,572	60,726
Unrestricted	40,095	27,953	568,140	489,324	608,235	517,277
Total Net Assets	\$84,667	\$88,679	\$568,140	\$489,324	\$652,807	\$578,003

As mentioned previously, net assets of governmental activities decreased \$ 4,021 or 4.53 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Village had several streets that were in poor condition that require continuous repairs. New catch basins were installed in Village streets, and at the Park to address flood issues
- In 2005, the Village replaced curbs prior to a State resurfacing project on SR 235 which runs through the Village. The curb replacement project cost the Village approximately \$35,000.
- In 2005 and 2004, the Voluntary Fire Department incurred several repair expenses due to inadequate, and poor conditioned equipment and vehicles.

Net assets of the business-type activities increased by \$78,816 or 16% in 2005. The usage rate increases in the sewer fund and the reserve balances for the debt service of sewer project accounted for the primary increase.

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Table 2 reflects the changes in net assets in 2005 and 2004:

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business Type Activities 2005	Business Type Activities 2004	Total 2005	Total 2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$13,782	\$16,747	\$376,833	\$375,345	\$390,615	\$392,092
Operating Grants and Contributions	84,632	56,118	0	0	84,632	56,118
Capital Grants and Contributions	0	0	36,300	0	36,300	0
Total Program Receipts	98,414	72,865	413,133	375,345	511,547	448,210
General Receipts:						
Property and Other Local Taxes	36,023	32,923	0	0	36,023	32,923
Income Taxes	185,807	172,401	0	0	185,807	172,401
Other Taxes	0	0	0	0	0	0
Grants and Entitlements Not						
Restricted to Specific Programs	74,715	55,160	0	0	74,715	55,160
Sale of Notes	77,453	0	26,704	0	104,157	0
Sale of Assets	0	0	3,519	0	3,519	0
Interest	5,344	5,461	5,189	232	10,533	5,693
Miscellaneous	11,838	2,772	0	0	11,838	2,772
Total General Receipts	391,180	268,717	35,412	232	426,592	268,949
Total Receipts	489,594	341,582	448,545	375,577	938,139	717,159
Disbursements:						
General Government	115,574	145,554	0	0	115,574	145,554
Security of Persons and Property:	121,533	115,207	0	0	121,533	115,207
Public Health Services	9,642	3,971	0	0	9,642	3,971
Leisure Time Activities	16,733	13,998	0	0	16,733	13,998
Economic Development	2,141	3,389	0	0	2,141	3,389
Basic Utilities	12,079	10,220	0	0	12,079	10,220
Transportation	137,786	106,812	0	0	137,786	106,812
Capital Outlay	77,453	0	0	0	77,453	0
Principal Retirement					0	0
Interest and Fiscal Charges	665	0	0	0	665	0
Water	0	0	128,042	114,319	128,042	114,319
Sewer	0	0	241,687	203,966	241,687	203,966
Total Disbursements	493,606	399,151	369,729	318,285	863,335	717,436
Excess (Deficiency) Before Transfers	(4,012)	(57,569)	78,816	57,292	74,804	(277)
Transfers					0	0
Increase (Decrease) in Net Assets	(4,012)	(57,569)	78,816	57,292	74,804	(277)
Net Assets, January 1	88,679	146,248	489,324	432,032	578,003	578,280
Net Assets, December 31	\$84,667	\$88,679	\$568,140	\$489,324	\$652,807	\$578,003

Village of DeGraff, Logan County
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Governmental Activities Receipts

Program receipts in the governmental activities represent 20 and 21 percent of total receipts for 2005 and 2004, respectively. They are primarily comprised of intergovernmental receipts such as motor vehicle license, gas tax money, and permissive tax.

General receipts in the governmental activities represent 80 and 79 percent of the Village's total receipts for 2005 and 2004, respectively. Local taxes represent 56 and 76 percent of the general receipts. Grants and entitlements make up the significant balance of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Business Type Receipts

In the business type activities program receipts account for 92 and 99.9 percent of the total receipts. These receipts are comprised of charges for services, i.e. water and sewer charges, and capital grant contributions.

General receipts in the business type activities represent 8 and .1 percent of the Village's total business type receipts for 2005 and 2004, respectively. 75% is from loan proceeds in 2005 from the financing of a new truck for the water department. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Governmental Activities Disbursements

In 2005, two of the four major funds of the Village are for governmental funds. In 2004 three for the five major funds are for governmental funds. Disbursements for General fund represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments. The disbursements for Street Construction and MV Permissive Funds are for improving and maintaining Village streets. The remaining non-major governmental type funds are considered special revenue type funds. These funds expend monies to provide for parks and recreation of the Village residents; fire and police protection; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Business Type Disbursements

The two remaining funds for the Village of DeGraff are considered to be of a business type nature. The disbursements of the Water fund are for the purpose of maintaining water lines; treatment of water; paying of wages of the department. The disbursements of the sewer fund are for the purpose of improving and maintaining sewer lines; payment of the wages of the department; and debt service.

Governmental Activities

If you look at the Statement of Activities on pages 16 and 23, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 53 and 57 percent of all governmental disbursements, in 2005 and 2004, respectively. General government also represents a significant cost, about 23 and 36 percent, for 2005 and 2004, respectively. The next three columns of the Statement entitled Program Receipts

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Management's Discussion and Analysis
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identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
Security of Persons and Property	121,533	80,409	115,207	99,658
Public Health Services	9,642	9,642	3,971	3,971
Leisure Time Activities	16,733	16,733	13,998	13,998
Community Environment	2,141	491	3,389	2,239
Basic Utilities Services	12,079	12,079	10,220	10,220
Transportation	137,786	82,434	106,812	50,694
General Government	115,574	115,286	145,554	145,506
Capital Outlay	77,453	77,453	0	0
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	665	665	0	0
Total Expenses	493,606	395,192	399,151	326,286

The dependence upon income tax receipts is apparent as over 80 for 2005 and 82 percent for 2004, of governmental activities are supported through these general receipts.

The Village's Funds

Governmental Funds

Total governmental funds had receipts of \$489,594 and \$341,582 for 2005 and 2004, and disbursements of \$493,606 and \$399,151 for 2005 and 2004, respectively. The greatest changes occurred in the General Fund with the financing of the new trucks and in the Cemetery Fund due to the levy passed by the voters.

Business Type Funds

In 2005, business type funds had receipts of \$448,545 and disbursements of \$369,729. The greatest change within the business type funds occurred within the Sewer Fund. The change can be attributed to grant received for sewer project.

In 2004, business type funds had receipts of \$375,576 and disbursements of \$318,284. The greatest change within the business type funds occurred within the Sewer Fund. The change can be attributed to rate increases. The new infrastructure with the Village of Quincy was put into full operation in 2004.

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General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 and 2004, the Village amended its General Fund budget several times to reflect changing circumstances. In 2005, the difference between the final budgeted receipts and actual receipts was not significant. In 2004, the difference between final budgeted receipts and actual receipts decreased due to decreases in the expected amounts collected from the county for intergovernmental receipts.

Final disbursements for 2005, were budgeted at \$444,447 while actual disbursements were \$404,538. Final disbursements for 2004 were budgeted at \$ 401,892 while actual disbursements were \$358,962. The Village disbursed 91 and 89 percent of the budget for 2005 and 2004, respectively. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects.

Capital Assets and Debt Administration

Capital Assets

The Village maintains capital asset listings for the Fire Department, Street/Water Department, and the Police Department, these records are not required to be presented in the financial statements.

Debt

At December 31, 2005, the Village's outstanding debt totaled \$534,051 comprising various debt issuances for business type activities for water and sewer projects. Governmental fund activities have two loans for the purchase of maintenance vehicles. The Village is responsible for to the Village of Quincy for the joint venture in waste water treatment plant current debt liability is \$1,163,982, assuming a 66% prorated share. For further information regarding the Village's debt refer to note 11 and note 13 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced planned park repairs and maintenance and have also reduced staffing levels in areas where we felt it would have the least impact on services. All departments have been asked to reduce their spending for supplies by 10-20 percent. Managements active role and due diligence in spending the Village's financial operations are expected to remain conservative.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda K. Harford, Fiscal Officer, Village of DeGraff, Logan County, P.O. Box 309, DeGraff, Ohio 43318-0309.

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Village of DeGraff, Logan County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 84,667	\$ 568,140	\$ 652,807
<i>Total Assets</i>	<u>\$ 84,667</u>	<u>\$ 568,140</u>	<u>\$ 652,807</u>
 Net Assets			
Restricted for:			
Other Purposes	\$ 44,572	\$ 0	\$ 44,572
Unrestricted	<u>40,095</u>	<u>568,140</u>	<u>608,235</u>
<i>Total Net Assets</i>	<u>\$ 84,667</u>	<u>\$ 568,140</u>	<u>\$ 652,807</u>

See accompanying notes to the basic financial statements

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Village DeGraff, Logan County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$ 121,533	\$ 11,844	\$ 29,280	\$ 0	\$ (80,409)	\$ 0	\$ (80,409)
Public Health Services	9,642	0	0	0	(9,642)	0	(9,642)
Leisure Time Activities	16,733	0	0	0	(16,733)	0	(16,733)
Community Environment	2,141	1,650	0	0	(491)	0	(491)
Basic Utility Services	12,079	0	0	0	(12,079)	0	(12,079)
Transportation	137,786	0	55,352	0	(82,434)	0	(82,434)
General Government	115,574	288	0	0	(115,286)	0	(115,286)
Capital Outlay	77,453	0	0	0	(77,453)	0	(77,453)
Debt Service:							
Interest	665	0	0	0	(665)	0	(665)
<i>Total Governmental Activities</i>	<u>493,606</u>	<u>13,782</u>	<u>84,632</u>	<u>0</u>	<u>(395,192)</u>	<u>0</u>	<u>(395,192)</u>
Business Type Activities							
Water Operating	128,042	138,929	0	0	0	10,887	10,887
Sewer Operating	241,687	237,904	0	36,300	0	32,517	32,517
<i>Total Business Type Activities</i>	<u>369,729</u>	<u>376,833</u>	<u>0</u>	<u>36,300</u>	<u>0</u>	<u>43,404</u>	<u>43,404</u>
<i>Total Primary Government</i>	<u>\$ 863,335</u>	<u>\$ 390,615</u>	<u>\$ 84,632</u>	<u>\$ 36,300</u>	<u>\$ (395,192)</u>	<u>\$ 43,404</u>	<u>\$ (351,788)</u>
General Receipts							
Property Taxes					\$ 36,023	0	36,023
Municipal Income Taxes					185,807	0	185,807
Grant and Entitlements not Restricted to Specific Programs					74,715	0	74,715
Sale of Notes					77,453	26,704	104,157
Sale of Fixed Assets					0	3,519	3,519
Earnings on Investments					5,344	5,189	10,533
Miscellaneous					11,838	0	11,838
<i>Total General Receipts</i>					<u>391,180</u>	<u>35,412</u>	<u>426,592</u>
Change in Net Assets					(4,012)	78,816	74,804
<i>Net Assets Beginning of Year</i>					<u>88,679</u>	<u>489,324</u>	<u>578,003</u>
<i>Net Assets End of Year</i>					<u>\$ 84,667</u>	<u>568,140</u>	<u>652,807</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Street Construction, Maint., & Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 40,095	23,822	20,750	\$ 84,667
<i>Total Assets</i>	<u>\$ 40,095</u>	<u>23,822</u>	<u>20,750</u>	<u>\$ 84,667</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 1,266	250	0	\$ 1,516
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	38,829	0	0	38,829
Special Revenue Funds	<u>0</u>	<u>23,572</u>	<u>20,750</u>	<u>44,322</u>
<i>Total Fund Balances</i>	<u>\$ 40,095</u>	<u>23,822</u>	<u>20,750</u>	<u>\$ 84,667</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County

Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

	<u>General</u>	<u>Street Construction Maint., & Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	29,637	0	6,386	36,023
Municipal Income Taxes	185,807	0	0	185,807
Intergovernmental	91,822	54,534	12,991	159,347
Charges for Services	6,750	0	0	6,750
Fines, Licenses and Permits	7,032	0	0	7,032
Earnings on Investments	5,075	54	215	5,344
Miscellaneous	11,838	0	0	11,838
<i>Total Receipts</i>	<u>337,961</u>	<u>54,588</u>	<u>19,592</u>	<u>412,141</u>
Disbursements				
Current:				
Security of Persons and Property	121,533	0	0	121,533
Public Health Services	0	0	9,642	9,642
Leisure Time Activities	16,733	0	0	16,733
Community Environment	2,141	0	0	2,141
Basic Utility Services	12,079	0	0	12,079
Transportation	57,440	40,281	40,065	137,786
General Government	115,574	0	0	115,574
Capital Outlay	77,453	0	0	77,453
Debt Service:				
Interest and Fiscal Charges	319	0	346	665
<i>Total Disbursements</i>	<u>403,272</u>	<u>40,281</u>	<u>50,053</u>	<u>493,606</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(65,311)</u>	<u>14,307</u>	<u>(30,461)</u>	<u>(81,465)</u>
Other Financing Sources (Uses)				
Sale of Notes	77,453	0	0	77,453
<i>Total Other Financing Sources (Uses)</i>	<u>77,453</u>	<u>0</u>	<u>0</u>	<u>77,453</u>
<i>Net Change in Fund Balances</i>	12,142	14,307	(30,461)	(4,012)
<i>Fund Balances Beginning of Year</i>	<u>27,953</u>	<u>9,515</u>	<u>51,211</u>	<u>88,679</u>
<i>Fund Balances End of Year</i>	<u><u>40,095</u></u>	<u><u>23,822</u></u>	<u><u>20,750</u></u>	<u><u>84,667</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 27,805	\$ 27,805	\$ 29,637	\$ 1,832
Municipal Income Taxes	172,401	172,401	185,807	13,406
Intergovernmental	51,813	106,487	91,822	(14,665)
Charges for Services	10,550	10,550	6,750	(3,800)
Fines, Licenses and Permits	6,197	6,197	7,032	835
Earnings on Investment	5,250	5,250	5,075	(175)
Miscellaneous	7,187	10,351	11,838	1,487
<i>Total receipts</i>	<u>281,203</u>	<u>339,041</u>	<u>337,961</u>	<u>(1,080)</u>
Disbursements				
Current:				
Security of Persons and Property	98,596	138,169	121,533	16,636
Leisure Time Activities	16,800	18,012	16,733	1,279
Community Environment	2,935	2,535	2,141	394
Basic Utility Services	13,300	13,259	12,079	1,180
Transportation	57,162	70,504	57,789	12,715
General Government	118,763	122,915	116,491	6,424
Capital Outlay	0	77,453	77,453	0
Debt Service:				
Interest and Fiscal Charges	1,600	1,600	319	1,281
<i>Total Disbursements</i>	<u>309,156</u>	<u>444,447</u>	<u>404,538</u>	<u>39,909</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(27,953)</u>	<u>(105,406)</u>	<u>(66,577)</u>	<u>38,829</u>
Other Financing Sources (Uses)				
Sale of Notes	0	77,453	77,453	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>77,453</u>	<u>77,453</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(27,953)	(27,953)	10,876	38,829
<i>Fund Balance Beginning of Year</i>	<u>27,953</u>	<u>27,953</u>	<u>27,953</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,829</u>	<u>\$ 38,829</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction, Maint., & Repair Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 8,025	\$ 0	\$ 0	\$ 0
Intergovernmental	33,938	43,446	54,534	11,088
Earnings on Investment	37	37	54	17
<i>Total receipts</i>	42,000	43,483	54,588	11,105
Disbursements				
Current:				
Transportation	51,515	52,998	40,531	12,467
<i>Total Disbursements</i>	51,515	52,998	40,531	12,467
<i>Excess of Receipts Over (Under) Disbursements</i>	(9,515)	(9,515)	14,057	23,572
<i>Fund Balance Beginning of Year</i>	9,515	9,515	9,515	0
<i>Fund Balance End of Year</i>	\$ 0	\$ 0	\$ 23,572	\$ 23,572

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Modified Cash Basis Assets and Net Assets
Proprietary Funds
December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>217,260</u>	\$ <u>350,880</u>	\$ <u>568,140</u>
<i>Total Assets</i>	\$ <u><u>217,260</u></u>	\$ <u><u>350,880</u></u>	\$ <u><u>568,140</u></u>
Net Assets:			
Unrestricted	\$ <u>217,260</u>	\$ <u>350,880</u>	\$ <u>568,140</u>
<i>Total Net Assets</i>	\$ <u><u>217,260</u></u>	\$ <u><u>350,880</u></u>	\$ <u><u>568,140</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	WATER	SEWER	TOTAL ENTERPRISE FUNDS
Operating Receipts			
Charges for Services	138,929	237,904	376,833
<i>Total Operating Receipts</i>	<u>138,929</u>	<u>237,904</u>	<u>376,833</u>
Operating Disbursements			
Personal Services	44,403	38,402	82,805
Employee Fringe Benefits	11,379	15,671	27,050
Contractual Services	29,465	53,282	82,747
Supplies and Materials	9,475	12,961	22,436
Other	1,751	256	2,007
<i>Total Operating Disbursements</i>	<u>96,473</u>	<u>120,572</u>	<u>217,045</u>
<i>Operating Income (Loss)</i>	<u>42,456</u>	<u>117,332</u>	<u>159,788</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	0	36,300	36,300
Earnings on Investments	0	5,189	5,189
Sale of Notes	13,352	13,352	26,704
Sale of Fixed Assets	3,519	0	3,519
Capital Outlay	(16,688)	(71,383)	(88,071)
Other Non-Operating Disbursements	0	(49,604)	(49,604)
Principal Payments	(12,972)	0	(12,972)
Interest and Fiscal Charges	(1,909)	(128)	(2,037)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(14,698)</u>	<u>(66,274)</u>	<u>(80,972)</u>
<i>Change in Net Assets</i>	27,758	51,058	78,816
<i>Net Assets Beginning of Year</i>	<u>189,502</u>	<u>299,822</u>	<u>489,324</u>
<i>Net Assets End of Year</i>	<u><u>217,260</u></u>	<u><u>350,880</u></u>	<u><u>568,140</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Fiduciary net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>560</u>
<i>Total Assets</i>	\$ <u><u>560</u></u>
Net Assets:	
Restricted	\$ <u>560</u>
<i>Total Net Assets</i>	\$ <u><u>560</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Changes in
Fiduciary Net Assets- Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2005

	Private Purpose Trust
Additions	
Contributions	\$ <u>560</u>
<i>Total Additions</i>	<u>560</u>
Deductions	
Payments In Accordance with Trust Agreements	<u>0</u>
<i>Total Deductions</i>	<u>0</u>
 <i>Change in Net Assets</i>	 560
<i>Net Assets Beginning of Year</i>	<u>0</u>
<i>Net Assets End of Year</i>	\$ <u><u>560</u></u>

See accompanying notes to the basic financial statements

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Village of DeGraff, Logan County
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 88,679	\$ 489,324	\$ 578,003
<i>Total Assets</i>	<u>\$ 88,679</u>	<u>\$ 489,324</u>	<u>\$ 578,003</u>
Net Assets			
Restricted for:			
Other Purposes	\$ 60,726	\$ 0	\$ 60,726
Unrestricted	<u>27,953</u>	<u>489,324</u>	<u>517,277</u>
<i>Total Net Assets</i>	<u>\$ 88,679</u>	<u>\$ 489,324</u>	<u>\$ 578,003</u>

See accompanying notes to the basic financial statements

Village DeGraff, Logan County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$ 115,207	\$ 15,549	\$ 0	\$ (99,658)	\$ 0	\$ (99,658)
Public Health Services	3,971	0	0	(3,971)	0	(3,971)
Leisure Time Activities	13,998	0	0	(13,998)	0	(13,998)
Community Environment	3,389	1,150	0	(2,239)	0	(2,239)
Basic Utility Services	10,220	0	0	(10,220)	0	(10,220)
Transportation	106,812	0	56,118	(50,694)	0	(50,694)
General Government	145,554	48	0	(145,506)	0	(145,506)
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Interest	0	0	0	0	0	0
<i>Total Governmental Activities</i>	<u>399,151</u>	<u>16,747</u>	<u>56,118</u>	<u>(326,286)</u>	<u>0</u>	<u>(326,286)</u>
Business Type Activities						
Water Operating	114,318	139,902		0	25,584	25,584
Sewer Operating	203,966	235,443		0	31,477	31,477
<i>Total Business Type Activities</i>	<u>318,284</u>	<u>375,345</u>	<u>0</u>	<u>0</u>	<u>57,061</u>	<u>57,061</u>
<i>Total Primary Government</i>	<u>\$ 717,435</u>	<u>\$ 392,092</u>	<u>\$ 56,118</u>	<u>\$ (326,286)</u>	<u>\$ 57,061</u>	<u>\$ (269,225)</u>
General Receipts						
Property Taxes				\$ 32,923	0	32,923
Municipal Income Taxes				172,401	0	172,401
Grant and Entitlements not Restricted to Specific P				55,160	0	55,160
Sale of Notes				0	0	0
Sale of Fixed Assets				0	0	0
Earnings on Investments				5,461	231	5,692
Miscellaneous				2,772	0	2,772
<i>Total General Receipts</i>				<u>268,717</u>	<u>231</u>	<u>268,948</u>
Special Items						
Transfers In				4,500	0	4,500
Transfers Out				(4,500)	0	(4,500)
<i>Total General Receipts, Special & Extraordinary Items, Transfers and Advances</i>				<u>268,717</u>	<u>231</u>	<u>268,948</u>
Change in Net Assets				(57,569)	57,292	(277)
<i>Net Assets Beginning of Year</i>				<u>146,248</u>	<u>432,032</u>	<u>578,280</u>
<i>Net Assets End of Year</i>				<u>\$ 88,679</u>	<u>\$ 489,324</u>	<u>\$ 578,003</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Street Construction, Maint., & Repair</u>	<u>MV Permissive Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$27,953	\$9,515	\$38,529	\$12,682	\$88,679
<i>Total Assets</i>	<u>\$27,953</u>	<u>\$9,515</u>	<u>\$38,529</u>	<u>\$12,682</u>	<u>\$88,679</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	27,953	0	0	0	27,953
Special Revenue Funds	<u>0</u>	<u>9,515</u>	<u>38,529</u>	<u>12,682</u>	<u>60,726</u>
<i>Total Fund Balances</i>	<u>\$27,953</u>	<u>\$9,515</u>	<u>\$38,529</u>	<u>\$12,682</u>	<u>\$88,679</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Construction Maint., & Repair	MV Permissive Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	27,806	0	0	5,117	32,923
Municipal Income Taxes	172,401	0	0	0	172,401
Intergovernmental	56,228	43,223	8,569	3,258	111,278
Charges for Services	10,550	0	0	0	10,550
Fines, Licenses and Permits	6,197	0	0	0	6,197
Earnings on Investments	5,250	37	130	44	5,461
Miscellaneous	2,772	0	0	0	2,772
<i>Total Receipts</i>	<u>281,204</u>	<u>43,260</u>	<u>8,699</u>	<u>8,419</u>	<u>341,582</u>
Disbursements					
Current:					
Security of Persons and Property	115,207	0	0	0	115,207
Public Health Services	0	0	0	3,971	3,971
Leisure Time Activities	13,998	0	0	0	13,998
Community Environment	3,389	0	0	0	3,389
Basic Utility Services	10,220	0	0	0	10,220
Transportation	70,594	34,203	2,015	0	106,812
General Government	145,554	0	0	0	145,554
<i>Total Disbursements</i>	<u>358,962</u>	<u>34,203</u>	<u>2,015</u>	<u>3,971</u>	<u>399,151</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(77,758)</u>	<u>9,057</u>	<u>6,684</u>	<u>4,448</u>	<u>(57,569)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	4,500	4,500
Transfers Out	(4,500)	0	0	0	(4,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,500)</u>	<u>0</u>	<u>0</u>	<u>4,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(82,258)</u>	<u>9,057</u>	<u>6,684</u>	<u>8,948</u>	<u>(57,569)</u>
<i>Fund Balances Beginning of Year</i>	<u>110,211</u>	<u>458</u>	<u>31,845</u>	<u>3,734</u>	<u>146,248</u>
<i>Fund Balances End of Year</i>	<u><u>27,953</u></u>	<u><u>9,515</u></u>	<u><u>38,529</u></u>	<u><u>12,682</u></u>	<u><u>88,679</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 15,100	\$ 15,100	\$ 27,806	\$ 12,706
Municipal Income Taxes	182,000	182,000	172,401	(9,599)
Intergovernmental	62,900	78,255	56,228	(22,027)
Charges for Services	11,000	11,000	10,550	(450)
Fines, Licenses and Permits	7,000	7,000	6,197	(803)
Earnings on Investment	6,000	6,000	5,250	(750)
Miscellaneous	3,000	3,000	2,772	(228)
<i>Total receipts</i>	<u>287,000</u>	<u>302,355</u>	<u>281,204</u>	<u>(21,151)</u>
Disbursements				
Current:				
Security of Persons and Property	132,300	127,715	115,207	12,508
Leisure Time Activities	15,300	20,477	13,998	6,479
Community Environment	5,000	5,000	3,389	1,611
Basic Utility Services	11,000	11,000	10,220	780
Transportation	95,000	75,100	70,594	4,506
General Government	138,500	162,600	145,554	17,046
Capital Outlay	0	0	0	0
Debt Service:				
Interest and Fiscal Charges	0	0	0	0
<i>Total Disbursements</i>	<u>397,100</u>	<u>401,892</u>	<u>358,962</u>	<u>42,930</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(110,100)</u>	<u>(99,537)</u>	<u>(77,758)</u>	<u>21,779</u>
Other Financing Sources (Uses)				
Transfers Out	0	(4,500)	(4,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(4,500)</u>	<u>(4,500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(110,100)	(104,037)	(82,258)	21,779
<i>Fund Balance Beginning of Year</i>	79,523	79,523	79,523	0
<i>Prior Year Encumbrances Appropriated</i>	<u>30,688</u>	<u>30,688</u>	<u>30,688</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 111</u>	<u>\$ 6,174</u>	<u>\$ 27,953</u>	<u>\$ 21,779</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction, Maint., & Repair Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 11,000	\$ 11,000	\$ 0	\$ (11,000)
Intergovernmental	28,900	28,900	43,223	14,323
Earnings on Investment	100	100	37	(63)
<i>Total receipts</i>	<u>40,000</u>	<u>40,000</u>	<u>43,260</u>	<u>3,260</u>
Disbursements				
Current:				
Transportation	<u>40,450</u>	<u>40,450</u>	<u>34,203</u>	<u>6,247</u>
<i>Total Disbursements</i>	<u>40,450</u>	<u>40,450</u>	<u>34,203</u>	<u>6,247</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(450)</u>	<u>(450)</u>	<u>9,057</u>	<u>9,507</u>
<i>Fund Balance Beginning of Year</i>	<u>458</u>	<u>458</u>	<u>458</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 9,515</u>	<u>\$ 9,507</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
MV Permissive Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 6,400	\$ 6,400	\$ 8,569	\$ 2,169
Earnings on Investment	200	200	130	(70)
<i>Total receipts</i>	<u>6,600</u>	<u>6,600</u>	<u>8,699</u>	<u>2,099</u>
Disbursements				
Current:				
Transportation	<u>38,400</u>	<u>38,400</u>	<u>2,015</u>	<u>36,385</u>
<i>Total Disbursements</i>	<u>38,400</u>	<u>38,400</u>	<u>2,015</u>	<u>36,385</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,800)</u>	<u>(31,800)</u>	<u>6,684</u>	<u>38,484</u>
 <i>Net Change in Fund Balance</i>	 (31,800)	 (31,800)	 6,684	 38,484
 <i>Fund Balance Beginning of Year</i>	 <u>31,845</u>	 <u>31,845</u>	 <u>31,845</u>	 <u>0</u>
 <i>Fund Balance End of Year</i>	 <u>\$ 45</u>	 <u>\$ 45</u>	 <u>\$ 38,529</u>	 <u>\$ 38,484</u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
Statement of Modified Cash Basis Assets and Net Assets
Proprietary Funds
December 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>189,502</u>	\$ <u>299,822</u>	\$ <u>489,324</u>
<i>Total Assets</i>	\$ <u><u>189,502</u></u>	\$ <u><u>299,822</u></u>	\$ <u><u>489,324</u></u>
Net Assets:			
Unrestricted	\$ <u>189,502</u>	\$ <u>299,822</u>	\$ <u>489,324</u>
<i>Total Net Assets</i>	\$ <u><u>189,502</u></u>	\$ <u><u>299,822</u></u>	\$ <u><u>489,324</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff, Logan County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2004*

	WATER	SEWER	TOTAL ENTERPRISE FUNDS
Operating Receipts			
Charges for Services	139,902	235,443	375,345
<i>Total Operating Receipts</i>	<u>139,902</u>	<u>235,443</u>	<u>375,345</u>
Operating Disbursements			
Personal Services	36,107	36,762	72,869
Employee Fringe Benefits	15,120	15,129	30,249
Contractual Services	20,034	37,008	57,042
Supplies and Materials	18,734	14,568	33,302
Other	1,556	78	1,634
<i>Total Operating Disbursements</i>	<u>91,551</u>	<u>103,545</u>	<u>195,096</u>
<i>Operating Income (Loss)</i>	<u>48,351</u>	<u>131,898</u>	<u>180,249</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	0	231	231
Capital Outlay	(6,234)	(4,300)	(10,534)
Other Non-Operating Disbursements	0	(48,145)	(48,145)
Redemption of Principal	(12,863)	(30,401)	(43,264)
Interest and Fiscal Charges	(3,670)	(17,575)	(21,245)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(22,767)</u>	<u>(100,190)</u>	<u>(122,957)</u>
<i>Change in Net Assets</i>	25,584	31,708	57,292
<i>Net Assets Beginning of Year</i>	<u>163,918</u>	<u>268,114</u>	<u>432,032</u>
<i>Net Assets End of Year</i>	<u><u>189,502</u></u>	<u><u>299,822</u></u>	<u><u>489,324</u></u>

See accompanying notes to the basic financial statements

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Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 1 – REPORTING ENTITY

The Village of DeGraff, Logan County, Ohio, (the “Village”) 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is accountable for an organization if the Village appoints a voting majority of the organization’s governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization’s resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any Component Units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village participates in two (2) jointly governed organizations. Note 13 to the financial statements provide additional information for these entities. These organizations are:

Joint Venture Organizations:

- 1). The Quincy-DeGraff Joint Sewer
- 2). The Greenwood-Union Cemetery

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Fund Financial Statements (continued)

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

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

Street Construction, Maintenance and Repair Fund - This fund accounts for all transactions relating to maintaining and repairing streets.

Permissive Motor Vehicle Fund – receives motor vehicle license tax which the Village can only use for planning, constructing, improving, maintaining and repairing Village roads.

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

Proprietary Funds

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

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - The sewer fund receives charges for the use of sanitary sewer services to the residents and commercial users within the Village.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Village's own programs.

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

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. 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 or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,(continued)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Village invested in an interest bearing checking account and nonnegotiable certificate of deposit. The nonnegotiable certificate of deposit is reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$5,075 which includes \$269 assigned from other Village funds. Interest receipts credited to the General Fund during 2004 was \$5,250 which includes \$442 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represents special revenue funds restricted to a specific use.

G. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supply items are reported as disbursements when purchased.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Long-Term Obligations

These modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. These financial statements report proceeds of debt are reported when the cash is received and debt service disbursements for debt principal payments are paid.

L. Net Assets

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last audit period the Village reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. This period the Village has implemented the modified cash basis of accounting. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of equity due to this change.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction in 2005 and the General Fund, Street Construction, and MV Permissive Fund in 2004 are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balances (modified cash basis).

The encumbrances outstanding at year ended December 31, 2005 (budgetary basis) amounted to \$ 1,266 for the general fund, \$ 250 for Street Construction Fund. There were no encumbrances or outstanding advances at year ended December 31, 2004.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 5 – DEPOSITS AND INVESTMENTS, (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$100 in un-deposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

At year-ended December 31, 2005, the carrying amount of the Village’s deposits was \$652,807, and the bank balance was \$696,752. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures” \$596,752 was exposed to custodial risk as discussed below, while \$100,000 was covered by federal depository insurance corporation. At year-ended December 31, 2004, the carrying amount of the Village’s deposits was \$578,003, and the bank balance was \$661,451. Of the bank balance \$561,451 was exposed to custodial risk as discussed below, while \$100,000 was covered by federal depository insurance corporation.

Custodial credit risk is the risk that in the event of bank failure, the Village’s deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of carrying value of the deposits. Such collateral, as permitted by the Ohio revised code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name or the respective depository bank and pledged as a poll of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village’s investments are required to be categorized to give an indication of the level of risk assumed by the Village at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village’s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments, which are held by the counterparty, or by its trust department or agent but not in the Village's name. The Certificates of Deposits are categorized as Category 1. The carrying values as of December 31, 2005 and 2004 are \$110,223 and \$104,916 respectively, which are valued at cost and included in the carrying amounts above.

Village of DeGraff
 Logan County
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	<u>2005</u>	<u>2004</u>
Residential	\$ 11,831,220	\$ 10,928,910
Agriculture	51,950	49,530
Commercial/Industrial/Mineral	1,868,270	1,765,500
Public Utility Property		
Real	16,060	15,820
Personal	380,150	482,350
Tangible Personal Property	739,590	633,050
Total Assessed Value	\$ 14,887,240	\$ 13,875,160

NOTE 7 – INCOME TAXES

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 8 –RISK MANAGEMENT

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

General Liability - \$ 3,000,000
Auto Liability & Auto physical damage - \$1,000,000
Property coverage - \$ 1,854,518
Public Official's liability - \$ 1,000,000
Inland Marine coverage - \$ 351,096
Employee Benefits Liability coverage - \$ 10,000
Commercial Crime coverage - \$ 1,000,000

Casualty excess-of-loss contracts at December 31, 2005 and 2004 generally protect against individual losses exceeding over the deductible.

Property coverage contracts protect against losses, subject to a deductible of \$250-\$2,500, limited to an annual aggregate loss per schedule.

The Village provides Major Medical/Life Insurance coverage to full-time employees through a private carrier.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, all members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 9 - DEFINED BENEFIT PENSION PLANS, (continued)

The Village's required contributions for pension obligations to the traditional, member directed and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$ 22,681, \$ 22,559, and \$ 20,210 respectively. The full amount has been contributed for 2005, 2004, and 2003.

B. Ohio Police and Fire Pension Fund

The Village does not contribute to the Ohio Police and Fire Pension Fund (OP&F). The Village employs a part-time Police Chief, and we have a Voluntary Fire Department.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was \$369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 11 - DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Citizens Bank DeGraff-Vehicles	5.50%	0 \$	77,453	0 \$	77,453 \$	19,316 \$
Total for Government Activities		0 \$	77,453	0 \$	77,453 \$	19,316 \$
<u>Business-type Activities</u>						
1993 OWDA Loan	6.75%	\$ 52,765	0 \$	2,382 \$	50,383 \$	2,972 \$
1984 USDA Rural Development Temporary Mortgage Revenue Bonds	5.00%	\$ 247,000	0	0 \$	247,000 \$	42,350 \$
Citizens Bank DeGraff- Vehicle	5.50%	0 \$	26,704	0 \$	26,704 \$	6,662 \$
1986 USDA Rural Development Permanent Mortgage Revenue Bonds	6.375%	\$ 61,700	0	0 \$	61,700 \$	5,433 \$
1998 OPWC Loan	0%	\$ 158,854	0 \$	10,590 \$	148,264 \$	10,590 \$
Total Business-type Activities		\$ 520,319	\$ 26,704	\$ 12,972	\$ 534,051	\$ 68,007

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
None						
<u>Business-type Activities</u>						
1993 OWDA Loan	6.75%	\$ 55,039	0 \$	2,274 \$	52,765 \$	5,944 \$
1984 USDA Rural Development Temporary Mortgage Revenue Bonds	5.00%	\$ 276,000	0 \$	29,000 \$	247,000 \$	0 \$
1986 USDA Rural Development Permanent Mortgage Revenue Bonds	6.375%	\$ 63,100	0 \$	1,400 \$	61,700 \$	0 \$
1998 OPWC Loan	0%	\$ 169,444	0 \$	10,590 \$	158,854 \$	10,590 \$
Total Business-type Activities		\$ 563,583	\$ 0	\$ 43,264	\$ 520,319	\$ 16,534

Village of DeGraff
Logan County
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For the Years Ended December 31, 2005 and 2004

NOTE 11 – DEBT, (continued)

Governmental Activities, Long Term debt

The Village financed two (2) vehicles (a 2006 Ford dump truck/plow, and a 2005 GMC pick-up truck) for Governmental Activities in 2005 through The Citizens Bank of DeGraff. The vehicles were purchased under the State Purchasing Program requirements. The loans will be repaid in annual installments of \$15,486, plus interest at 5.5%, maturity 2010. The loan is secured by vehicles.

Business Type Activities, Long Term debt

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

The USDA Rural Development Temporary Mortgage Revenue Bonds 1984 were obtained for the purpose of constructing improvements to the Village's sanitary sewer system and treatment facilities. The bonds require annual payments with maturity during 2012. As required by the bond agreement, the Village has established and funded an enterprise debt service reserve fund. The balance in the fund at December 31, 2005 is \$147,919. The Village has not established the required bond and interest sinking fund in which 1/12th of the annual debt service is to be recorded each month.

The USDA Rural Development Permanent Mortgage Revenue Bonds 1986 were obtained for the purpose of improvements to the Village's sewer system. The bonds require annual installments with maturity during 2026. The Village established a sewer surcharge and Sewer System Revenue Fund in compliance with the debt covenants associated with these mortgage revenue bonds.

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

The Village secured financing through the Citizens Bank of DeGraff for one (1) 2005 F-250XL Utility vehicle for Business Type activities. The vehicle was purchased under the State Purchasing Program requirements. The loan will be repaid in annual installments of \$5,341, plus interest at 5.5% maturing in 2010. The loan is secured by vehicle.

Village of DeGraff
Logan County
Notes to the Financial Statements
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NOTE 11 – DEBT, (continued)

The following is a summary of the Village’s future annual debt service requirements:

Year	Bank of DeGraff Term Notes		OWDA LOANS	
	Principal	Interest	Principal	Interest
2006	\$15,486	\$3,831	\$ 1,271	\$1,701
2007	15,486	2,979	2,628	3,315
2008	15,486	2,134	2,806	3,138
2009	15,486	1,275	2,995	2,948
2010	15,509	424	3,197	2,746
2011 - 2015	0	0	19,530	10,187
2016 - 2020	0	0	17,956	2,846
Totals	\$77,453	\$10,643	\$50,383	\$26,881

Year	OPWC	USDA BOND		Citizens Bank Of DeGraff	
	Principal 0% Interest	Principal	Interest	Principal	Interest
2006	\$ 10,590	\$ 31,500	\$ 16,283	\$ 5,341	\$1,321
2007	10,590	33,600	14,686	5,341	1,027
2008	10,590	34,700	12,986	5,341	735
2009	10,590	36,800	11,227	5,341	439
2010	10,590	38,900	9,363	5,340	147
2011 - 2015	52,952	91,400	21,650	0	0
2016 - 2020	42,362	15,500	11,475	0	0
2021 - 2025	0	21,200	5,852	0	0
2026 - 2030	0	5,100	325	0	0
Totals	\$148,264	\$308,700	\$103,847	\$26,704	\$3,669

NOTE 12 – CONTINGENT LIABILITIES

The Village currently has two (2) Insurance claims filed against them at this time. Although management cannot presently determine the outcome of these claims, they believe the resolution of these matters will not materially adversely affect the Village’s financial condition.

NOTE 13 – JOINT VENTURES – JOINTLY GOVERNED ORGANIZATIONS

Quincy-DeGraff WWTP Facility:

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

Village of DeGraff
 Logan County
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004

NOTE 13 – JOINT VENTURES – JOINTLY GOVERNED ORGANIZATIONS (continued)

Quincy-DeGraff WWTP Facility (continued):

The total cost of the project was estimated at \$3,000,000, less grants leaves a balance of approximately \$1,600,000 to be financed. The Village of Quincy obtained financing for the project. Revenues are collected by both communities, and appropriations are established by each community for upgrade and operation expenditures. The approximate share of cost to be paid by each entity is determined by the actual flow from each community (which is measurable) into the plant. On July 1st of each year, the percentage of cost ratio is reviewed and adjusted based on actual flow for the previous year, and the newly established rates take affect on January 1st of the following year. The Village of DeGraff paid a Share Rate of 66% for all upgrade, operations, and debt service for the facility in 2005 and 70% in 2004.

The following is a summary of the Village’s future annual debt service requirements:

Year	Village of Quincy - OWDA	
	Principal	Interest
2006	\$16,802	\$8,730
2007	33,983	17,081
2008	34,494	16,569
2009	35,014	16,050
2010	35,541	15,523
2011 - 2015	185,893	69,423
2016 - 2020	200,316	55,001
2021 - 2025	215,857	39,460
2026 - 2030	232,603	22,713
2031 - 2034	173,479	5,243
Totals	\$1,163,982	\$265,793

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 Clerk/Treasurer of each community acts as Clerk for the JSB on rotating years, and the Mayors of each community acts as Chairman for the JSB on opposite years as their village Clerk/Treasurer; (i.e., Quincy Mayor/DeGraff Clerk-Treasurer for odd years, and DeGraff Mayor/Quincy Clerk-Treasurer for even years).

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 13 – JOINT VENTURES – JOINTLY GOVERNED ORGANIZATIONS (continued)

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 has currently passed a .70 mil levy, and will place a renewal request on the ballot in November 2006. The Village will continue financial responsibility as long as the Village is a joint owner of this facility.

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three (3) member Board. The majority vote revolves every two (2) years. The Pleasant Township Trustees appointed two (2) members for 2004 and 2005. The Village appointed one (1) member to the Board. The Cemetery Board has Voting Authority for the cemetery.

NOTE 14 SUBSEQUENT EVENTS

The Village of DeGraff supports the Cemetery through a voted tax levy. This levy money, along with the related homestead and rollback revenue, is received by the Village and then distributed to the Cemetery. During 2004, the Village failed to distribute \$5,923 of the tax levy and homestead and rollback receipts to the Cemetery. Pursuant Ohio Revised Code Section 117.28, the Auditor of State issued a finding for recovery on behalf of the Greenwood Union Cemetery for the payment of public money collect but unaccounted for. On October 26, 2006, the Village issued check 26595, in the amount of \$5,922.77 to the Cemetery.

Manning & Associates CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

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

Members of Council
Village of DeGraff
107 South Main Street
DeGraff, Ohio 43318

We have audited the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of Village of DeGraff, Logan County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 9, 2006, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. Our report was qualified because we were unable to perform procedures to satisfy ourselves as to the processing of income tax revenues, Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered material weaknesses. However, we believe the reportable condition reportable condition described above is a material weakness. In a separate letter to the Village's management dated November 9, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Village Council
Village of DeGraff
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Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2005-001 – 2005-002. In a separate letter to the Village's management dated November 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

November 9, 2006

VILLAGE OF DEGRAFF
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 and 2004

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

FINDING NUMBER 2005-001

Noncompliance

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 village (\$3,000 effective April 7, 2003) 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 lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village's did not properly certify transactions prior to making orders for the expenditures 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.

Response: The Fiscal Officer, has taken continuing education class through the Auditor of State to gain a better understanding of the purchase order accounting, and has implemented policies to correct noncompliance.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-002

Noncompliance

First Mortgage Sanitary Sewerage System Revenue Bonds, dated May 23, 1972, states that after funds for the necessary current expenses of operation and maintenance of the sewage system have been met for the ensuing month, there shall be transferred each month into the First Sanitary Sewerage System Revenue Bond and Interest Sinking Fund, an amount equal to at least 1/12th (or such larger amount as is necessary) of the amount equal to the interest due on the next ensuing interest due date with respect to all Bonds outstanding and the sum necessary to provide for payment of the next ensuing principal maturity of all Bonds outstanding. If for any such reason, there is a failure to make such monthly deposit, then an amount equal to the deficiency shall be set aside and depositing into this Fund in the ensuing month or months, which shall be in addition to the regular monthly deposit required during such succeeding month or months.

Although the Village made the required payments on this debt, they have failed to establish the required fund. The failure to establish this required fund could result in the Village not having the required funds to meet its annual debt service requirements.

The Village should establish the required fund within the Enterprise Fund Type. In addition, the Village should further review this debt agreement and all other debt agreements to help assure compliance with debt covenants. To help assure the completeness of its debt agreements and the continuing applicability of covenants, the Village should contact each lender.

Response: Council will review bond requirements and determine necessary funds.

FINDING NUMBER 2005-003

**Reportable Condition / Material Weakness
Obtaining a SAS 70 Audit Report**

When an entity uses a service organization to process financially significant accounting transactions, the organization should provide a Tier II SAS 70 audit report. This report gives the user entity insight to the controls and their operating effectiveness at the service organization. The failure to obtain this type of report prevents the user entity from knowing if significant deficiencies in the control system exist at the third party administrator. The Village did not obtain a SAS 70 audit report from its third-party administrator who processes income tax revenue.

The Village should revise their third-party administrator contract to include a requirement for an annual Tier II SAS 70 audit. A SAS 70 audit should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. The Village should be provided with a copy of the SAS 70 report and then review the report's content. The Village should take steps to address any user control considerations identified in the report. Response: None

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2003-001	ORC 5705.41 (D) - Certification of funds	Partially	Not corrected for 2004 Reissue as Finding 2005-001
2003-002	Failure to establish required debt service fund sinking fund	No	Not corrected; reissued as Finding Number 2005-002
2003-003	Obtaining a SAS 70 audit report exceeding actual receipts	No	Not corrected; reissued as Finding Number 2004-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF DEGRAFF

LOGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2007**