



**VILLAGE OF DEGRAFF
LOGAN COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2019 - 2018**

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of DeGraff
107 S Main St.
DeGraff, OH 43318

We have reviewed the *Independent Auditor's Report* of the Village of DeGraff, Logan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 08, 2021

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Village of DeGraff, Ohio
Logan County

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INDEPENDENT AUDITOR'S REPORT

January 15, 2021

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Village of DeGraff**, Logan County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for services are reported at \$531,300 for the year ended December 31, 2018, which is 98% of total Enterprise Funds operating receipts for the year ended December 31, 2018. We were unable to obtain sufficient appropriate evidence supporting the amounts recorded as charges for services during this period. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the Enterprise Funds, and related notes of the Village of DeGraff, Logan County, Ohio as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of DeGraff, Logan County as of December 31, 2019, and for the year then ended as well as the cash balances, receipts and disbursements by fund for the General, Special Revenue and Private Purpose Trust Funds, and related notes for the year ended December 31, 2018, and for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Perry & Associates CPAs A.C.

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF DEGRAFF, OHIO
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 24,100	\$ 32,130	\$ 56,230
Municipal Income Tax	244,765	-	244,765
Intergovernmental	30,084	106,855	136,939
Charges for Services	355	12,578	12,933
Fines, Licenses and Permits	13,270	-	13,270
Earnings on Investments	810	208	1,018
Miscellaneous	5,593	4,350	9,943
<i>Total Cash Receipts</i>	<u>318,977</u>	<u>156,121</u>	<u>475,098</u>
Cash Disbursements			
Current:			
Security of Persons and Property	71,362	34,433	105,795
Public Health Services	-	11,000	11,000
Leisure Time Activities	10,918	-	10,918
Community Environment	4,480	-	4,480
Transportation	11	78,653	78,664
General Government	137,452	759	138,211
Debt Service:			
Principal Retirement	1,333	-	1,333
Interest and Fiscal Charges	428	-	428
<i>Total Cash Disbursements</i>	<u>225,984</u>	<u>124,845</u>	<u>350,829</u>
<i>Net Change in Fund Cash Balances</i>	92,993	31,276	124,269
<i>Fund Cash Balances, January 1</i>	<u>14,406</u>	<u>114,356</u>	<u>128,762</u>
Fund Cash Balances, December 31			
Restricted	-	145,632	145,632
Unassigned	107,399	-	107,399
<i>Fund Cash Balances, December 31</i>	<u>\$ 107,399</u>	<u>\$ 145,632</u>	<u>\$ 253,031</u>

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

**VILLAGE OF DEGRAFF, OHIO
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 614,882	\$ -	\$ 614,882
Miscellaneous	7,865	-	7,865
<i>Total Operating Cash Receipts</i>	<u>622,747</u>	<u>-</u>	<u>622,747</u>
Operating Cash Disbursements			
Personal Services	96,163	-	96,163
Employee Fringe Benefits	29,065	-	29,065
Contractual Services	103,368	-	103,368
Supplies and Materials	33,908	-	33,908
Other	115,247	-	115,247
<i>Total Operating Cash Disbursements</i>	<u>377,751</u>	<u>-</u>	<u>377,751</u>
<i>Operating Income (Loss)</i>	<u>244,996</u>	<u>-</u>	<u>244,996</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	168	-	168
Miscellaneous Receipts	-	985	985
Capital Outlay	(6,969)	-	(6,969)
Principal Retirement	(48,549)	-	(48,549)
Interest and Other Fiscal Charges	(19,597)	-	(19,597)
Other Financing Uses	(26,261)	-	(26,261)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(101,208)</u>	<u>985</u>	<u>(100,223)</u>
<i>Income (Loss) before Transfers</i>	143,788	985	144,773
Transfers In	6,356	-	6,356
Transfers Out	(6,356)	-	(6,356)
<i>Net Change in Fund Cash Balances</i>	143,788	985	144,773
<i>Fund Cash Balances, January 1</i>	<u>136,616</u>	<u>1,323</u>	<u>137,939</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 280,404</u>	<u>\$ 2,308</u>	<u>\$ 282,712</u>

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

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

Joint Ventures and Public Entity Risk Pools

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

Joint Ventures:

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

Public Entity Risk Pool:

Public Entity Risk Pool of Ohio

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 4.

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Compliance

Contrary to Ohio law, the Village was not able to provide a complete copy of the formally adopted appropriations for the year ended December 31, 2019. Therefore, expenditures exceeded appropriations in the General, Street Construction, Maintenance, and Repair, State Highway, Cemetery and Other Special Revenue Funds for this period.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 288,500	\$ 318,977	\$ 30,477
Special Revenue	250,360	156,121	(94,239)
Enterprise	2,498,500	629,271	(1,869,229)
Trust	1,000	985	(15)
Total	\$ 3,038,360	\$ 1,105,354	(1,933,006)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,553	\$ 226,855	\$ (224,302)
Special Revenue	60,714	125,701	(64,987)
Enterprise	2,446,151	487,952	1,958,199
Trust	1,000	-	1,000
Total	\$ 2,510,418	\$ 840,508	\$ 1,669,910

Note 5 - Deposits

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

	2019
Demand Deposits	\$ 535,743

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (R.I.T.A.) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

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

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

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Risk Management (Continued)

2019

Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds:		
Water System Mortgage Revenue Bonds	\$ 353,000	4.00%
OPWC Loans:		
CM10B - South End Waterline Replacement	5,295	0.00%
CM27I - Water Tower Replacement	<u>138,864</u>	0.00%
Total OPWC Loans	<u>144,159</u>	
OWDA Loans:		
#4939 - Water Tower	222,450	4.71%
#7574 - Water Supply and Treatment	48,962	1.60%
#7407 - Sanitary Sewer Pump Station & Force Main	<u>395,369</u>	0.00%
Total OWDA Loans	<u>666,781</u>	
Loans Payable:		
Annex Building Loan	<u>6,667</u>	5.75%
Total	<u><u>\$ 1,170,607</u></u>	

In 2010, the Village issued \$433,000 Water System Mortgage Revenue Bonds purchased by USDA Rural Development to retire OWDA Loan #4892 for the improvement of its water system including the construction of a new water tower. The bonds bear interest at 4 percent and require annual principal payments of \$7,100 to \$24,400 through 2040.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2018, is \$16,144.

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

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

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

Amortization

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt (Continued)

Year Ending December 31:	General Obligation			
	Bonds	OPWC Loans	OWDA Loans	Other Loans
2020	\$ 25,020	\$ 19,912	\$ 15,726	\$ 1,678
2021	24,984	14,617	15,775	1,602
2022	25,032	14,617	15,827	1,525
2023	25,060	14,617	15,882	1,448
2024	25,068	14,617	15,939	1,372
2025-2029	125,624	65,779	80,647	-
2030-2034	126,100	-	82,538	-
2035-2039	126,748	-	84,925	-
2040	25,376	-	-	-
Total	<u>\$ 529,012</u>	<u>\$ 144,159</u>	<u>\$ 327,259</u>	<u>\$ 7,625</u>

Note 11 – Contingent Liabilities

There are currently no matters of litigation with the Village as defendant.

Note 12 – Joint Ventures

A. Quincy-DeGraff Waste Water Treatment Plant

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

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 effect on January 1st of the following year. In 2019, the Village share paid to the Village of Quincy was \$190,941 and \$26,261 for operating costs and debt retirement, respectively.

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

B. Greenwood-Union Cemetery

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – Joint Ventures (Continued)

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three member Board. The majority vote revolves every two years. The Pleasant Township Trustees appointed two members to the board in 2019. The Village Mayor appointed one council member to the Cemetery Board in 2019. The Cemetery Board has voting authority for the Cemetery.

Note 13 – Public Entity Risk Pool

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

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

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF DEGRAFF, OHIO
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 22,447	\$ 30,065	\$ 52,512
Municipal Income Tax	224,726	-	224,726
Intergovernmental	24,628	79,340	103,968
Special Assessments	8,508	-	8,508
Charges for Services	-	17,320	17,320
Fines, Licenses and Permits	8,546	-	8,546
Earnings on Investments	435	181	616
Miscellaneous	4,666	426	5,092
<i>Total Cash Receipts</i>	<u>293,956</u>	<u>127,332</u>	<u>421,288</u>
Cash Disbursements			
Current:			
Security of Persons and Property	102,097	27,100	129,197
Public Health Services	-	8,395	8,395
Leisure Time Activities	12,980	-	12,980
Community Environment	5,048	-	5,048
Transportation	25,713	60,453	86,166
General Government	128,731	590	129,321
Debt Service:			
Principal Retirement	4,000	-	4,000
Interest and Fiscal Charges	2,129	-	2,129
<i>Total Cash Disbursements</i>	<u>280,698</u>	<u>96,538</u>	<u>377,236</u>
<i>Net Change in Fund Cash Balances</i>	13,258	30,794	44,052
<i>Fund Cash Balances, January 1 (Restated, See Note 15)</i>	<u>1,148</u>	<u>83,562</u>	<u>84,710</u>
Fund Cash Balances, December 31			
Restricted	-	114,356	114,356
Unassigned	14,406	-	14,406
<i>Fund Cash Balances, December 31</i>	<u>\$ 14,406</u>	<u>\$ 114,356</u>	<u>\$ 128,762</u>

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

**VILLAGE OF DEGRAFF, OHIO
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 531,300	\$ -	\$ 531,300
Miscellaneous	12,371	-	12,371
<i>Total Operating Cash Receipts</i>	<u>543,671</u>	<u>-</u>	<u>543,671</u>
Operating Cash Disbursements			
Personal Services	73,747	-	73,747
Employee Fringe Benefits	15,486	-	15,486
Contractual Services	68,714	-	68,714
Supplies and Materials	30,391	-	30,391
Other	54,792	-	54,792
<i>Total Operating Cash Disbursements</i>	<u>243,130</u>	<u>-</u>	<u>243,130</u>
<i>Operating Income (Loss)</i>	<u>300,541</u>	<u>-</u>	<u>300,541</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	2,013	-	2,013
Loans Issued	48,207	-	48,207
Miscellaneous Receipts	381	1,303	1,684
Capital Outlay	(62,594)	-	(62,594)
Principal Retirement	(131,419)	-	(131,419)
Interest and Other Fiscal Charges	(31,379)	-	(31,379)
Other Financing Uses	(76,595)	-	(76,595)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(251,386)</u>	<u>1,303</u>	<u>(250,083)</u>
<i>Net Change in Fund Cash Balances</i>	49,155	1,303	50,458
<i>Fund Cash Balances, January 1 (Restated, See Note 15)</i>	<u>87,461</u>	<u>20</u>	<u>87,481</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 136,616</u>	<u>\$ 1,323</u>	<u>\$ 137,939</u>

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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

Joint Ventures and Public Entity Risk Pools

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

Joint Ventures:

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

Public Entity Risk Pool:

Public Entity Risk Pool of Ohio

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Compliance

Contrary to Ohio law, the Village was not able to provide a complete copy of the formally adopted appropriations for the year ended December 31, 2018. Therefore, expenditures exceeded appropriations in all funds for this period.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 572,516	\$ 293,956	\$ (278,560)
Special Revenue	124,275	127,332	3,057
Enterprise	1,441,525	594,272	(847,253)
Trust	980	1,303	323
Total	\$ 2,139,296	\$ 1,016,863	(1,122,433)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,646	\$ 283,251	\$ (281,605)
Special Revenue	2,071	97,971	(95,900)
Enterprise	3,683	552,288	(548,605)
Trust	-	-	-
Total	\$ 7,400	\$ 933,510	\$ (926,110)

Note 5 - Deposits

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

	2018
Demand Deposits	\$ 266,701

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (R.I.T.A.) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

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

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

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Risk Management (Continued)

2018

Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds:		
Water System Mortgage Revenue Bonds	\$ 363,500	4.00%
OPWC Loans:		
CM10B - South End Waterline Replacement	10,591	0.00%
CM27I - Water Tower Replacement	<u>146,173</u>	0.00%
Total OPWC Loans	<u>156,764</u>	
OWDA Loans:		
#4939 - Water Tower	225,779	4.71%
#7574 - Water Supply and Treatment	58,385	1.60%
#7407 - Sanitary Sewer Pump Station & Force Main	<u>408,061</u>	0.00%
Total OWDA Loans	<u>692,225</u>	
Loans Payable:		
Annex Building Loan	<u>8,000</u>	5.75%
Total	<u><u>\$ 1,220,489</u></u>	

In 2010, the Village issued \$433,000 Water System Mortgage Revenue Bonds purchased by USDA Rural Development to retire OWDA Loan #4892 for the improvement of its water system including the construction of a new water tower. The bonds bear interest at 4 percent and require annual principal payments of \$7,100 to \$24,400 through 2040.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2018, is \$16,144.

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

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

In 2009, the Village purchased real estate located at 112 South Main Street (the Roxy building) to provide additional office space for the Village. The purchase was financed with a \$20,000 loan through the Citizen's Bank of DeGraff at 5.75 percent. The loan will be repaid over 15 years with semi-annual interest payments and annual principal payments of \$1,333 beginning in 2010. The balance at December 31, 2017 was restated from \$9,335 in the prior audit to \$12,000 to reflect payments not made during 2016 and 2017.

Amortization

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt (Continued)

Year Ending December 31:	General Obligation			
	Bonds	OPWC Loans	OWDA Loans	Other Loans
2019	\$ 25,040	\$ 12,604	\$ 7,845	\$ 1,755
2020	25,020	19,912	15,726	1,678
2021	24,984	14,617	15,775	1,602
2022	25,032	14,617	15,827	1,525
2023	25,060	14,617	15,882	1,525
2024-2028	125,504	73,087	80,318	2,820
2029-2033	126,004	7,310	82,124	-
2034-2038	126,616	-	84,402	-
2039-2040	50,792	-	17,204	-
Total	<u>\$ 554,052</u>	<u>\$ 156,764</u>	<u>\$ 335,103</u>	<u>\$ 10,905</u>

Note 11 – Contingent Liabilities

There are currently no matters of litigation with the Village as defendant.

Note 12 – Joint Ventures

A. Quincy-DeGraff Waste Water Treatment Plant

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

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 effect on January 1st of the following year. In 2018, the Village share paid to the Village of Quincy was \$52,912 and \$76,595 for operating costs and debt retirement, respectively.

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

B. Greenwood-Union Cemetery

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

Village of DeGraff, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 12 – Joint Ventures (Continued)

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three member Board. The majority vote revolves every two years. The Pleasant Township Trustees appointed two members to the board in 2018. The Village Mayor appointed one council member to the Cemetery Board in 2018. The Cemetery Board has voting authority for the Cemetery.

Note 13 – Public Entity Risk Pool

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

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

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 – Restatement of Beginning Fund Balances

Beginning fund balances at January 1, 2018 were restated for the Village's General, Street Construction, Maintenance, and Repair, Other Special Revenue, Water and Sewer Funds to post duplicate payments made for payroll withholdings during 2017 that were reflected as Other Adjusting Factors on the Village's bank reconciliations.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Ending Fund Balance, December 21, 2017	\$ 2,599	\$ 85,556	\$ 89,584
Restatement	(1,451)	(1,994)	(2,123)
Beginning Fund Balance, January 1, 2018, Restated	<u>\$ 1,148</u>	<u>\$ 83,562</u>	<u>\$ 87,461</u>

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

January 15, 2021

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of DeGraff**, Logan County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated January 15, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the Enterprise Funds for the year ended December 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a misstatement of the Village's financial statements. We consider findings 2019-001 and 2019-002 described in the accompanying schedule of audit findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2019-003 and 2019-004 described in the accompanying schedule of audit findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2019-002 and 2019-005 through 2019-007.

Purpose of this Report

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



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

Village of DeGraff, Ohio
Logan County
Schedule of Audit Findings
For the Years Ended December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure information provided to the readers of the financial statements is accurate. The following errors with the Village's annual financial report were noted:

- Loan payments to OWDA were improperly posted to Leisure Time Activities in the General Fund instead of Principal Retirement and Interest and Fiscal Charges in the Water and Sewer Funds in 2018.
- Payments to the Village of Quincy for the joint venture were posted to Principal Retirement, Interest and Fiscal Charges and Other Operating Expensed instead of Other Financing Uses in the Sewer Fund in 2019 and 2018.
- Duplicate payments for payroll withholdings made during 2017 were not posted in the accounting system and were reflected as Other Adjusting Factors on the Village's bank reconciliations during 2019 and 2018.
- Fund balance adjustments proposed during the Village's 2016-2017 audit were not correctly posted to the Village's accounting system.
- A fund balance adjustment was incorrectly posted in 2019 in the General Fund.
- Permissive motor vehicle license tax receipts were posted to Intergovernmental instead of Property and Other Local Taxes in the Permissive Motor Vehicle License Tax Fund in 2019 and 2018.
- A portion a license tax receipt was allocated to the State Highway Fund instead of the Street Construction, Maintenance, and Repair Fund in 2019.
- A portion of an Annex Loan payment was improperly posted to Principal Retirement instead of Interest and Fiscal Charges in 2019.

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

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

We also recommend the Clerk-Treasurer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Officials' Response – Village Officials did not provide a response to this finding.

Village of DeGraff, Ohio
Logan County
Schedule of Audit Findings
For the Years Ended December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-002

Material Weakness/Noncompliance

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

During testing, we noted that the Village did not maintain original documentation for its charges for services receipts from January through March of 2018. This was a result of inadequate policies and procedures over maintaining financial information. As a result, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary, and we qualified our opinion.

We also noted that the Village did not maintain original supporting documentation for several expenditures. We performed alternate audit procedures to ensure the accuracy of the financial statements and that these payments were made for proper public purpose.

We recommend all public records be maintained and stored by the Clerk-Treasurer in accordance with the above-mentioned sections. Furthermore, no disbursements should be made unless supporting documentation is available.

Officials' Response – Village Officials did not provide a response to this finding.

FINDING NUMBER 2019-003

Significant Deficiency

Utility Process

Effective controls over utility billing are critical for the Village to help ensure customers are being billed properly in accordance with the established Village rates. This helps ensure funds will be available to sustain the utility and provide for future debt service and utility improvement disbursements.

The Village is not billing and collecting monies in accordance with its approved rate structure and therefore not realizing utility revenues. The Village billed amounts that were not proportional to the amount of consumption. During our testing we noted 100% of our samples tested for 2019 and 2018 were not billed properly in accordance with the billing rates established by the Council.

We also noted that utility adjustments and delinquency documentation reports were not always generated and maintained. The Village was unable to produce complete reports for adjustments and delinquencies for 2019 or 2018. This could result in questions about why the amounts were written off the Village's records and if there were valid reasons for the adjustments.

Village of DeGraff, Ohio
Logan County
Schedule of Audit Findings
For the Years Ended December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-003 (Continued)

We recommend the Village review these discrepancies and determine via a Council vote if they will forgive the unbilled amounts or recoup the fees from the citizens. We further recommend the Village perform quarterly internal billing recomputations on several citizens to help ensure this does not occur in the future. The Utility Clerk should run all pertinent reports on a monthly and yearly basis. These reports may then be utilized to help monitor delinquent accounts and help ensure any adjustments made were approved by the appropriate Village official.

Officials' Response – Village Officials did not provide a response to this finding.

FINDING NUMBER 2019-004

Significant Deficiency

Cash Reconciliations

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Clerk-Treasurer.

Reconciliations for all months during the audit period contained significant reconciling items between \$10,620 and \$5,566 shown as Other Adjusting Factors on the cash reconciliations. These Other Adjusting Factors related to duplicate payments that were made for payroll withholdings and cleared the bank but were not posted to the Village's accounting system.

During 2019 the Clerk-Treasurer attempted to void and reissue check to an employee in the accounting system that was issued during 2018. However, the original check was not correctly voided and was instead reflected as cleared in the accounting system. The replacement check was issued and cleared the bank during 2019, but the check remains on the Village's outstanding payments listing. The Village attempted to correct for the imbalance at year end by posting a fund balance adjustment to 2018 for the check amount in its accounting system. We have proposed an adjustment to remove the fund balance adjustment and properly void the check and clear the reissued check from the accounting system, and the Village has made all necessary adjustments.

We recommend the Clerk-Treasurer present evidence to Council which indicates all bank balances have been reconciled to the cash journal fund balances each month without significant other adjusting factors on the reconciliation. If the source of the other adjusting factor is known, the Clerk-Treasurer should update the Village's accounting system to eliminate the difference. The Council should then periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of outstanding checks and deposits in transit.

Officials' Response – Village Officials did not provide a response to this finding.

Village of DeGraff, Ohio
Logan County
Schedule of Audit Findings
For the Years Ended December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-005

Noncompliance

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

The Village could not provide a copy of the formally adopted appropriations for 2018 or a complete copy of the adopted appropriations for 2019 for audit. Also, the minutes did not reflect detail of the adoption of the appropriation measure. As a result, expenditures in all funds in 2018 and in the General, Street Construction, Maintenance, and Repair, State Highway and Cemetery Funds in 2019 lacked legal appropriation authority as reported in Finding Number 2019-006.

We recommend the Village pass an appropriation measure on or about the first day of each fiscal year. If the Village adopts a temporary measure, they must adopt a permanent measure no later than April 1.

Officials' Response – Village Officials did not provide a response to this finding.

FINDING NUMBER 2019-006

Noncompliance

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Due to inadequacies in budgetary policies and procedures, budgetary expenditures exceeded appropriations in all funds for the year ended December 31, 2018 and in the General, Street Construction, Maintenance, and Repair, State Highway, Cemetery and Other Special Revenue Funds for the year ended December 31, 2019. Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources or transfers from other funds to cover cash shortages.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response – Village Officials did not provide a response to this finding.

Village of DeGraff, Ohio
Logan County
Schedule of Audit Findings
For the Years Ended December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-007

Noncompliance

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk-Treasurer is attached thereto. The Clerk-Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Clerk-Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Revised Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate – If the Clerk-Treasurer can certify that both at the time the contract or order was made "then" and at the time that the Clerk-Treasurer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the Clerk-Treasurer without a resolution or ordinance of the Village upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

Blanket Certificate – Clerk-Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Village may also may expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Clerk-Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Prior certification was not obtained for 28% of the expenditures tested for 2019 and for 29% of the expenditures tested for 2018. Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certificates should be used.

Officials' Response – Village Officials did not provide a response to this finding.

Village of DeGraff, Ohio
Logan County

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Posting Receipts and Disbursements	Not Corrected	Repeated as Finding 2019-001
2017-002	Bank Reconciliations	Partially Corrected	Repeated as Finding 2019-004
2017-003	Ohio Rev. Code Section 149.351	Not Corrected	Repeated as Finding 2019-002
2017-004	Budgetary Controls	Not Corrected	Repeated as Findings 2019-006 and 2019-007

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF DEGRAFF

LOGAN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/20/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov