



**VILLAGE OF DEGRAFF
LOGAN COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2021 - 2020**

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of DeGraff
PO Box 309
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, 2020 through December 31, 2021. 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

August 12, 2022

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VILLAGE OF DEGRAFF
LOGAN COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the **Village of DeGraff**, Logan County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position, or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 17 to the financial statements, in 2020 the Village adopted a change in accounting principle and removed the fund balances classification from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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
Certified Public Accountants, A.C.
Marietta, Ohio

June 24, 2022

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 23,606	\$ 41,545	\$ 65,151
Municipal Income Tax	295,126	-	295,126
Intergovernmental	36,134	192,550	228,684
Charges for Services	-	25,434	25,434
Fines, Licenses and Permits	11,281	-	11,281
Earnings on Investments	277	38	315
Miscellaneous	9,990	7,133	17,123
	376,414	266,700	643,114
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons & Property	88,102	54,720	142,822
Public Health Services	-	9,343	9,343
Leisure Time Activities	31,310	-	31,310
Community Environment	5,082	-	5,082
Transportation	-	106,112	106,112
General Government	175,600	-	175,600
Debt Service:			
Principal Retirement	5,733	-	5,733
Interest and Fiscal Charges	528	-	528
	306,355	170,175	476,530
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	70,059	96,525	166,584
Other Financing Receipts			
Sale of Bonds	21,500	4,000	25,500
Sale of Capital Assets	3,130	-	3,130
	24,630	4,000	28,630
<i>Total Other Financing Receipts</i>			
<i>Net Change in Fund Cash Balances</i>	94,689	100,525	195,214
<i>Fund Cash Balances, January 1 (Restated, See Note 16)</i>	170,492	160,553	331,045
<i>Fund Cash Balances, December 31</i>	\$ 265,181	\$ 261,078	\$ 526,259

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 720,867
Miscellaneous	8,619
	<u>729,486</u>
<i>Total Operating Cash Receipts</i>	<u>729,486</u>
Operating Cash Disbursements	
Personal Services	95,983
Fringe Benefits	31,235
Contractual Services	103,736
Supplies and Materials	69,084
Other	181,001
	<u>481,039</u>
<i>Total Operating Cash Disbursements</i>	<u>481,039</u>
<i>Operating Income</i>	<u>248,447</u>
Non-Operating Receipts (Disbursements)	
Loans Issued	9,617
Capital Outlay	(9,617)
Principal Retirement	(74,827)
Interest and Other Fiscal Charges	(22,783)
	<u>(97,610)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(97,610)</u>
<i>Net Change in Fund Cash Balance</i>	<u>150,837</u>
<i>Fund Cash Balances, January 1 (Restated, See Note 16)</i>	<u>486,933</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 637,770</u></u>

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 1 - Reporting Entity

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

Joint Venture

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

Joint Venture:

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

Public Entity Risk Pool:

Public Entities 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 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 registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (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 charge. 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.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) 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 or 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 2 - Summary of Significant Accounting Policies (Continued)

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Enterprise Deposit Fund 5781 and Enterprise Deposit Fund 5782 by \$1,122 and \$947, respectively. Also contrary to Ohio Law, as of December 31, 2021, actual receipts were below estimated, and the deficiency reduced available resources below the current appropriation in the Water Operating Fund by \$1,044,952.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 379,350	\$ 401,044	\$ 21,694
Special Revenue	260,366	270,700	10,334
Enterprise	1,743,500	739,103	(1,004,397)
Total	\$ 2,383,216	\$ 1,410,847	\$ (972,369)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 493,802	\$ 313,823	\$ 179,979
Special Revenue	393,280	176,514	216,766
Enterprise	2,061,634	693,771	1,367,863
Total	\$ 2,948,716	\$ 1,184,108	\$ 1,764,608

Note 5 - Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2021
Demand Deposits	\$ 1,164,029
Total Deposits	\$ 1,164,029

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$0 in unremitted employee payroll withholdings.

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
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 6 - Taxes

Property Taxes

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

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

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

Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (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

Commercial Insurance

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, 2020(the latest information available):

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

Some Village 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, 2021.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 10 - Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bonds	\$ 330,800	4.00%
Police Cruiser Revenue Bonds	18,600	2.15%
Dump Truck- General Obligation Bonds	4,000	2.125%
OPWC CM27I	116,938	0.00%
OWDA #4939 - Water Tower	208,330	4.71%
OWDA #7574 Water Supply & Treatment	19,690	1.60%
OWDA #7407 Sanitary Sewer Pump Station & Force Main	356,910	0.00%
OWDA #8992 - Water Treatment Plant	29,150	2.12%
Annex Building Loan	4,000	5.75%
Total	<u>\$ 1,088,418</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.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10 – Debt (Continued)

In 2021 the Village was issued \$23,000 Police Cruiser Revenue Bonds purchased by USDA Rural Development to purchase a new police cruiser. The bonds bear interest at 2.13 percent and require annual payments of \$4,600 to \$4,800 through 2025. The revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund.

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

The Village has four loans outstanding with the Ohio Water Development Authority (OWDA). The first three loans are for the improvement of the Village’s water system and two loans will be repaid over 5 years and one loan will be repaid over 30 years. 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 Citizens Bank of DeGraff at 5.75 percent. The loan will be repaid over the next 15 years with semi-annual interest payments and annual principal payments of \$1,333 beginning in 2010.

In 2021, the Village issued \$80,000 Vehicle and Equipment Acquisition Limited Tax General Obligation Bonds, Series 2021 purchased by USDA Rural Development to purchase a new dump truck. The bonds bear interest at 2.125 percent and require semi-annual payments through 2031. The full distribution of the funds did not occur until 2022.

Amortization of the Village’s debt principal and interest is scheduled as follows:

Year Ending December 31:	OPWC Loan	OWDA Loans	General Obligation Bonds	Other Loans
2022	\$ 14,617	\$ 64,236	\$ 38,507	\$ 1,525
2023	14,617	44,364	38,842	1,448
2024	14,617	44,421	38,898	1,372
2025	14,617	44,480	38,818	-
2026	14,617	44,543	34,045	-
2027-2031	43,851	192,886	170,413	-
2032-2036	-	194,962	126,364	-
2037-2041	-	73,580	101,492	-
	<u>\$ 116,936</u>	<u>\$ 703,472</u>	<u>\$ 587,379</u>	<u>\$ 4,345</u>

Note 11 - Contingent Liabilities

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 12 - Joint Venture

A. Quincy-DeGraff Waste Water Treatment Plant

The Village of DeGraff and the Village 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 2021, the Village share paid to the Village of Quincy was \$178,932.55 for operating costs and debt retirement.

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

B. Greenwood-Union Cemetery

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

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three-member Board. The majority vote revolves every two years. The Pleasant Township Trustees appointed two members to the board in 2021. The Village Mayor appointed one council member to the Cemetery Board in 2021. 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.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 14 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 7,468	\$ 6,339	\$ 13,807

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 16 – Restatement of Beginning Balance

Beginning fund balance at January 1, 2021 was restated for the Village's General Fund, Special Revenue Funds, and Enterprise Funds due to reclassifying voided checks.

	General	Special Revenue	Enterprise
Ending Fund Balance December 31, 2020	\$ 170,469	\$ 160,428	\$ 486,689
Restatement	23	125	244
Beginning Fund Balance, January 1, 2021, Restated	\$ 170,492	\$ 160,553	\$ 486,933

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 20,333	\$ 38,073	\$ 58,406
Municipal Income Tax	248,940	-	248,940
Intergovernmental	45,672	178,807	224,479
Charges for Services	235	17,650	17,885
Fines, Licenses and Permits	13,202	-	13,202
Earnings on Investments	517	108	625
Miscellaneous	16,262	6,771	23,033
<i>Total Cash Receipts</i>	<u>345,161</u>	<u>241,409</u>	<u>586,570</u>
Cash Disbursements			
Current:			
Security of Persons & Property	90,993	72,981	163,974
Public Health Services	-	9,220	9,220
Leisure Time Activities	10,166	9,422	19,588
Community Environment	5,944	-	5,944
Basic Utility Services	-	1,970	1,970
Transportation	-	86,549	86,549
General Government	177,198	46,982	224,180
Debt Service:			
Principal Retirement	1,333	-	1,333
Interest and Fiscal Charges	352	-	352
<i>Total Cash Disbursements</i>	<u>285,986</u>	<u>227,124</u>	<u>513,110</u>
<i>Excess of Receipts Over Disbursements</i>	<u>59,175</u>	<u>14,285</u>	<u>73,460</u>
Other Financing Receipts			
Sale of Bonds	1,500	-	1,500
<i>Total Other Financing Receipts</i>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
<i>Net Change in Fund Cash Balances</i>	60,675	14,285	74,960
<i>Fund Cash Balances, January 1 (Restated, See Note 16)</i>	<u>109,794</u>	<u>146,143</u>	<u>255,937</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 170,469</u>	<u>\$ 160,428</u>	<u>\$ 330,897</u>

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 663,973
Miscellaneous	94,485
<i>Total Operating Cash Receipts</i>	<i>758,458</i>
Operating Cash Disbursements	
Personal Services	90,488
Fringe Benefits	28,122
Contractual Services	100,401
Supplies and Materials	32,116
Other	220,041
<i>Total Operating Cash Disbursements</i>	<i>471,168</i>
<i>Operating Income</i>	<i>287,290</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	10,739
Loans Issued	28,712
Capital Outlay	(31,449)
Principal Retirement	(65,624)
Interest and Other Fiscal Charges	(23,804)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(81,426)</i>
<i>Net Change in Fund Cash Balance</i>	<i>205,864</i>
<i>Fund Cash Balances, January 1 (Restated, See Note 16)</i>	<i>280,825</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 486,689</i>

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1 - Reporting Entity

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

Joint Venture

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

Joint Venture:

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

Public Entity Risk Pool:

Public Entities 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 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 registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (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 charge. 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.

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the State Highway Fund, Permissive Motor Vehicle License Tax Fund, Enterprise Deposit Fund 5781 and Enterprise Deposit Fund 5782 by \$11,300, \$4,946, \$655 and \$656, respectively. Also contrary to Ohio law, as of December 31, 2020, actual receipts were below estimated, and the deficiency reduced available resources below the current appropriation in the Water Operating Fund by \$1,598,382.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 448,300	\$ 346,661	\$ (101,639)
Special Revenue	284,374	241,409	(42,965)
Enterprise	2,485,790	797,909	(1,687,881)
Total	\$ 3,218,464	\$ 1,385,979	\$ (1,832,485)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 337,169	\$ 287,406	\$ 49,763
Special Revenue	263,249	227,449	35,800
Enterprise	2,507,710	615,357	1,892,353
Total	\$ 3,108,128	\$ 1,130,212	\$ 1,977,916

Note 5 - Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2020
Demand Deposits	\$ 817,586
Total Deposits	\$ 817,586

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village is holding \$0 in unremitted employee payroll withholdings.

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
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 6 - Taxes

Property Taxes

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

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

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

Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (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

Commercial Insurance

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:

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Social Security

Some Village 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, 2020.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 10 - Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bonds	\$ 342,100	4.00%
Police Cruiser Revenue Bonds	1,500	2.15%
OPWC CM27I	131,555	0.00%
OWDA #4939 - Water Tower	215,554	4.71%
OWDA #7574 Water Supply & Treatment	39,068	1.60%
OWDA #7407 Sanitary Sewer Pump Station & Force Main	379,217	0.00%
OWDA #8992 - Water Treatment Plant	19,533	2.12%
Annex Building Loan	5,334	5.75%
Total	<u>\$ 1,133,861</u>	

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 10 – Debt (Continued)

In 2020, the Village received a \$1,500 distribution of \$23,000 Police Cruiser Revenue Bonds purchased by USDA Rural Development to purchase a new police cruiser. The bonds bear interest at 2.13 percent and require annual payments of \$4,600 to \$4,800 through 2025. The revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. As the bonds were not fully funded until 2021, there was no amortization schedule available.

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

The Village has four loans outstanding with the Ohio Water Development Authority (OWDA). The first three loans are for the improvement of the Village’s water system and two loans will be repaid over 5 years and one loan will be repaid over 30 years. 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 Citizens Bank of DeGraff at 5.75 percent. The loan will be repaid over the next 15 years with semi-annual interest payments and annual principal payments of \$1,333 beginning in 2010.

Amortization of the Village’s debt principal and interest is scheduled as follows:

Year Ending December 31:	OPWC Loan	OWDA Loans	General Obligation Bonds	Other Loans
2021	\$ 14,617	\$ 58,009	\$ 24,984	\$ 1,685
2022	14,617	64,236	25,032	1,525
2023	14,617	44,364	25,060	1,448
2024	14,617	44,421	25,068	1,372
2025	14,617	44,480	25,056	-
2026-2030	58,470	198,701	125,728	-
2031-2035	-	194,507	126,256	-
2036-2040	-	112,763	126,808	-
	<u>\$ 131,555</u>	<u>\$ 761,481</u>	<u>\$ 503,992</u>	<u>\$ 6,030</u>

Note 11 - Contingent Liabilities

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 12 - Joint Venture

A. Quincy-DeGraff Waste Water Treatment Plant

The Village of DeGraff and the Village 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 2020, the Village share paid to the Village of Quincy was \$218,731 for operating costs and debt retirement.

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

B. Greenwood-Union Cemetery

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

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three-member Board. The majority vote revolves every two years. The Pleasant Township Trustees appointed one member to the board in 2020. The Village Mayor appointed two council members to the Cemetery Board in 2020. The Cemetery Board has voting authority for the cemetery.

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

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 14 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 1,420	\$ 325	\$ 1,745

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2020, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 16 – Restatement of Beginning Balance

Beginning fund balance at January 1, 2020 was restated for the Village's General Fund, Special Revenue Funds, Enterprise Funds, and Private Purpose Trust Fund due to reclassifying the Private Purpose Trust Fund to the General Fund and voided checks.

	General	Special Revenue	Enterprise	Private Purpose Trust
Ending Fund Balance, December 31, 2019	\$ 107,399	\$ 145,632	\$ 280,404	\$ 2,308
Restatement for Voided Checks	87	511	421	-
Restatement for Private Purpose Trust	2,308			(2,308)
Beginning Fund Balance, January 1, 2020, Restated	\$ 109,794	\$ 146,143	\$ 280,825	\$ -

Note 17 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Village of DeGraff**, Logan County, (the Village), as of and for the years ended December 31, 2021 and 2020, and related notes to the financial statements, and have issued our report thereon dated June 24, 2022, wherein we noted the Village adopted a change in accounting principle and removed the fund balance classification from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

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 •

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings as items 2021-002 and 2021-003.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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

June 24, 2022

VILLAGE OF DEGRAFF
LOGAN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer 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:

- A loan payment was improperly posted to Security of Persons and Property in the General Fund instead of Principal Retirement and Interest and Fiscal Charges in 2020;
- A portion of gas excise tax receipts were incorrectly allocated to the State Highway Fund instead of the Street Construction, Maintenance, and Repair Fund in 2020;
- A portion of gas excise tax receipts were incorrectly allocated to the Street Construction, Maintenance, and Repair Fund instead of the State Highway Fund in 2021;
- A portion of auto license tax receipts were incorrectly allocated to the Permissive Motor Vehicle License Tax Fund instead of the State Highway Fund and the Street Construction, Maintenance, and Repair Fund in 2021 and 2020;
- A grant receipt from the Community Foundation of Shelby County was improperly classified as Intergovernmental revenue instead of Miscellaneous in the General Fund in 2021;
- A receipt from the sale of a police cruiser was improperly classified as Miscellaneous instead of Sale of Fixed Assets in the General Fund in 2021;
- Police Cruiser Bond proceeds were incorrectly posted as Intergovernmental income instead of Sale of Bonds in 2021 and 2020;
- A USDA loan disbursement for a Dump Truck was recorded as intergovernmental revenue instead of debt proceeds in 2021;
- Additional OWDA loan #7574 debt proceeds were incorrectly posted as Miscellaneous income instead of OWDA Loans Issued in 2020; and
- Additional OWDA loan #8992 debt proceeds were not recorded as OWDA Loans Issued and Capital Outlay in 2021 and 2020.

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 Fiscal Officer 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 – We did not receive a response from officials to this finding.

VILLAGE OF DEGRAFF
LOGAN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-002

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 Fiscal Officer is attached thereto. The Fiscal Officer 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 Fiscal Officer'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 Fiscal Officer can certify that both at the time the contract or order was made "then" and at the time that the Fiscal Officer 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 Fiscal Officer 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 – Fiscal Officers 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 Fiscal Officer 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 10% of the expenditures tested for 2021 and for 22% of the expenditures tested for 2020. 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 Fiscal Officer 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 – We did not receive a response from officials to this finding.

VILLAGE OF DEGRAFF
LOGAN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-003

Noncompliance

Budgetary Controls

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

Ohio Rev. Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of deficiency will reduce available resources below the current level of appropriation.

During 2021, total expenditures exceeded appropriations by \$1,122 in the Enterprise Deposit Fund #5781 and \$947 in Enterprise Deposit Fund #5782. During 2020, total expenditures exceeded appropriations by \$11,300 in the State Highway Fund, \$4,946 in the Permissive Motor Vehicle License Tax Fund, \$655 in the Enterprise Deposit Fund #5781 and \$656 in Enterprise Deposit Fund #5782.

As of December 31, 2021, actual receipts were below estimated, and the deficiency reduced available resources below the current appropriation in the Water Operating Fund by \$1,044,952. As of December 31, 2020, actual receipts were below estimated, and the deficiency reduced available resources below the current appropriation in the Water Operating Fund by \$1,598,382.

The Fiscal Officer and Council should monitor appropriations versus estimated resources to help avoid overspending. Officials should review the requirements of ORC section 5705 to be familiar with these laws and ensure the Village is complying with applicable sections. The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

In addition, the Village did not have a control procedure in place to ensure appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

Officials' Response – We did not receive a response from officials to this finding.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Financial Reporting	Not Corrected	Repeated as Finding 2021-001
2019-002	Ohio Revised Code Section 149.351	Corrected	N/A
2019-003	Utility Process	Partially Corrected	Repeated as Management Letter Comment
2019-004	Cash Reconciliations	Corrected	N/A
2019-005	Ohio Revised Code Section 5705.38(A)	Corrected	N/A
2019-006	Ohio Revised Code Section 5705.41(B)	Not Corrected	Repeated as Finding 2021-003
2019-007	Ohio Revised Code Section 5705.41(D)	Not Corrected	Repeated as Finding 2021-002

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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 8/25/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov