

VILLAGE OF DEGRAFF

DAYTON REGION, LOGAN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 – 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of DeGraff, Logan County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of DeGraff is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 1, 2010

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LOGAN COUNTY**

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MANNING & ASSOCIATES CPAS, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of DeGraff, Logan County, Ohio, (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of DeGraff, Logan County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance & Repair, and the Fire funds thereof and for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Manning & Associates CPAs, LLC
Dayton, Ohio

April 29, 2010

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Village of DeGraff
Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2009 and 2008
Unaudited

This discussion and analysis of the Village of DeGraff's, Logan County financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009 and 2008, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities decreased \$2,992 or 2.6 percent, not a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2009.

The Village's general receipts are primarily income taxes, real estate and property taxes for government activities. Income tax receipts for 2009 and 2008 have decreased compared to 2007 as development within the Village has slowed. These receipts represent 61.8 percent and 66.8 percent for 2009 and 2008, respectively.

Net assets of the Business-type activities decreased \$11,943 or 2.5 not a significant change from 2008. The fund most affected by the decrease in cash and cash equivalent was the Sewer Fund. The Water fund had an increase of \$39,295.

The Village submitted, and was approved, for financial assistance from the Ohio Public Works Commission State Capital Improvement And/Or Local Transportation Improvement Program for the Pleasant Street Resurfacing Project in the amount of \$17,452. The Village's matching amount was \$10,000. This grant is made available through the stimulus grant program.

The Village purchased real estate at 122 S. Main Street, in the amount of \$20,000 for the purpose of expanding office space. Major repairs were completed in 2009 to prepare for occupancy.

The Village received loan proceeds from various sources (OPWC, OWDA and local funds) in 2009 for the construction of the new water tower project. The construction of the project began, and was substantially completed in 2009. The original cost of the new water tower was estimated to be approximately \$ 1,156,000. However, this amount is subject to change due to the fact that liquidated damages will be involved in the reconciliation/settlement of the project costs. A retainer is being held on the general contractor (Gateway Tank) through completion; Whereas, Thompson Electric Company (the electric contractor) has met 100 percent completion on their contract as of December 31, 2009. They have been paid in full, the amount of \$51,423.

The Village currently has a 1 percent income tax levy which is receipted to the General Fund. The Village currently has a .70 mill Cemetery Levy which is for the operations of the Greenwood-Union Cemetery. The Village also currently has a 3.6 mil Fire Levy which supports the operations of the Volunteer Fire Department. Both the Cemetery and Fire Levies will be placed on the 2010 ballot for renewal.

The Village jointly owns a Waste Water Treatment Facility with the Village of Quincy. The cost of operations is allocated to both based on proportionate share of usage. In 2009, 72.5 percent was allocated to the Village of Degraff.

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Key highlights for 2008 are as follows:

Net assets of governmental activities decreased \$49,453 or 30 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the General and Street Construction Maintenance and Repair funds, which realized the greatest decreases due to a reduction in total revenue collections and an increase in expenditures for village projects and major equipment and repairs.

Net assets of the Business-type activities decreased \$63,418 or 11.8 percent, a significant change from 2007 and reflects a significant change to the water and sewer funds. The decrease is due to an increase in operations expenses. The fund most affected by the decrease in cash and cash equivalent was the Sewer Fund which saw a total a decrease of \$52,526. The Water fund had a decrease of \$18,967.

The Village expended funds for a variety of notable projects and equipment purchases in 2008. A broken/outdated street sweeper was replaced with a Bobcat skid-loader, an old leaf vac was replaced with a leaf vacuum machine. Agricultural road treatment (seal) was applied to approximately 7,041 square yards on North Main and South Hoke Streets to help preserve the pavement which was recently resurfaced. Chip-seal work was done on Miami, Mill and Miller Streets. Seal coat was applied to the park walking path track and the three baseball diamonds were redone.

The Village submitted, and was approved, for financial assistance from the Ohio Public Works Commission State Capital Improvement and/or Local Transportation Improvement Program for the Boggs and Meade Streets Resurfacing Project in the amount of \$8,837. The Village's matching amount was \$5,000. This grant is made available through the stimulus grant program.

In 2008, the Village's portion of the total cost of operations for the Waste Water Treatment Facility jointly owned with the Village of Quincy was 72.5 percent, which is based on usage.

Using the Basic Financial Statements

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

Report Components

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

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

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

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Basis of Accounting

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

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

Reporting the Village as a Whole

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2009 and 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

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Reporting the Village's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2009 and 2008 are the General Fund, the Street Construction, Maint., & Repair Fund, and Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2009, 2008 and 2007 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>			<u>Business - Type Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets						
Cash and Cash Equivalents	112,391	115,383	164,836	464,278	476,221	539,639
Total Assets	<u>\$112,391</u>	<u>\$115,383</u>	<u>\$164,836</u>	<u>\$464,278</u>	<u>\$476,221</u>	<u>\$539,639</u>
Net Assets						
Restricted for:						
Other Purposes	93,219	85,528	115,392	0	0	0
Unrestricted	19,172	29,855	49,444	464,278	476,221	539,639
Total Net Assets	<u>\$112,391</u>	<u>\$115,383</u>	<u>\$164,836</u>	<u>\$464,278</u>	<u>\$476,221</u>	<u>\$539,639</u>

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The Village as a Whole (continued)

(Table 1)
(Continued)

	2009	Total 2008	2007
Assets			
Cash and Equivalents	576,669	591,604	704,475
Total Assets	\$576,669	\$591,604	\$704,475
Net Assets			
Restricted for:			
Other Purposes	93,219	85,528	115,392
Unrestricted	483,450	506,076	589,083
Total Net Assets	\$576,669	\$591,604	\$704,475

As mentioned previously, net assets of governmental activities decreased \$2,992 or 2.6 percent during 2009. The primary reasons contributing to the decrease in cash balances were a decrease in collections of income tax revenues and an increase in overall expenses.

In 2009, Net assets of the Business-type activities decreased \$11,943 or 2.5 not a significant change from 2008. The fund most affected by the decrease in cash and cash equivalent was the Sewer Fund. The Water fund had an increase of \$39,295.

In 2008, Net assets of governmental activities decreased \$49,453 or 30 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the General and Street Construction Maintenance and Repair funds, which realized the greatest decreases due to a reduction in total revenue collections and an increase in expenditures for village projects and major equipment and repairs.

In 2008, Net assets of the Business-type activities decreased \$63,418 or 11.8 percent, a significant change from 2007 and reflects a significant change to the water and sewer funds. The decrease is due to an increase in operations expenses. The fund most affected by the decrease in cash and cash equivalent was the Sewer Fund which saw a total a decrease of \$52,526. The Water fund had a decrease of \$18,967.

Table 2 provides a summary of the Village's net assets for 2009, 2008 and 2007 on a cash basis:

Village of DeGraff
Logan County
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(Table 2)

Changes in Net Assets

	<i>Governmental Activities</i>			<i>Business Type Activities</i>		
	2009	2008	2007	2009	2008	2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$19,858	\$21,204	\$19,583	\$362,441	\$360,743	\$364,758
Operating Grants and Contributions	60,751	59,609	71,578	0	0	0
Capital Grants and Contributions	7,915	0	301,833	110,000	25,400	0
Total Program Receipts	<u>88,524</u>	<u>80,813</u>	<u>392,994</u>	<u>472,441</u>	<u>386,143</u>	<u>364,758</u>
General Receipts:						
Property and Other Local Taxes	98,610	102,507	95,656	0	0	0
Municipal Income Taxes	155,373	167,769	190,657	0	0	0
Grants and Entitlements Not Restricted to Specific Programs	41,563	45,286	35,777	0	0	0
Debt Proceeds	20,000	0	0	767,608	100,080	0
Earnings on Investments	3,674	5,481	6,539	0	2,101	8,659
Miscellaneous	3,239	2,538	3,279	0	0	0
Total General Receipts	<u>322,459</u>	<u>323,581</u>	<u>331,908</u>	<u>767,608</u>	<u>102,181</u>	<u>8,659</u>
Total Receipts	<u>410,983</u>	<u>404,394</u>	<u>724,902</u>	<u>1,240,049</u>	<u>488,324</u>	<u>373,417</u>
Disbursements:						
General Government	116,323	116,242	127,688	0	0	0
Security of Persons and Property:	116,342	139,441	357,244	0	0	0
Public Health Services	8,600	13,093	9,840	0	0	0
Leisure Time Activities	16,401	23,493	14,907	0	0	0
Community Environment	4,044	3,379	2,542	0	0	0
Transportation	114,092	139,680	123,898	0	0	0
Capital Outlay	20,000	0	60,020	0	0	0
Principal Retirement	15,486	15,486	15,486	0	0	0
Interest and Fiscal Charges	2,687	3,033	3,340	0	0	0
Water Operating	0	0	0	967,274	250,651	117,531
Sewer Operating	0	0	0	283,748	300,311	265,913
Other Enterprise	0	0	0	970	780	2,772
Total Disbursements	<u>413,975</u>	<u>453,847</u>	<u>714,965</u>	<u>1,251,992</u>	<u>551,742</u>	<u>386,216</u>
Increase (Decrease) in Net Assets	(2,992)	(49,453)	9,937	(11,943)	(63,418)	(12,799)
Net Assets, January 1	<u>115,383</u>	<u>164,836</u>	<u>154,899</u>	<u>476,221</u>	<u>539,639</u>	<u>552,438</u>
Net Assets, December 31	<u>\$112,391</u>	<u>\$115,383</u>	<u>\$164,836</u>	<u>\$464,278</u>	<u>\$476,221</u>	<u>\$539,639</u>

Village of DeGraff
Logan County
Management's Discussion and Analysis
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(Table 2) (continued)
Changes in Net Assets

	2009	<i>Totals</i> 2008	2007
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$382,299	\$381,947	\$384,341
Operating Grants and Contributions	60,751	59,609	71,578
Capital Grants and Contributions	117,915	25,400	301,833
Total Program Receipts	<u>560,965</u>	<u>466,956</u>	<u>757,752</u>
General Receipts:			
Property and Other Local Taxes	98,610	102,507	95,656
Municipal Income Taxes	155,373	167,769	190,657
Grants and Entitlements Not Restricted to Specific Programs	41,563	45,286	35,777
Debt Proceeds	787,608	100,080	0
Earnings on Investments	3,674	7,582	15,198
Miscellaneous	3,239	2,538	3,279
Total General Receipts	<u>1,090,067</u>	<u>425,762</u>	<u>340,567</u>
Total Receipts	<u>1,651,032</u>	<u>892,718</u>	<u>1,098,319</u>
Disbursements:			
General Government	116,323	116,242	127,688
Security of Persons and Property:	116,342	139,441	357,244
Public Health Services	8,600	13,093	9,840
Leisure Time Activities	16,401	23,493	14,907
Community Environment	4,044	3,379	2,542
Transportation	114,092	139,680	123,898
Capital Outlay	20,000	0	60,020
Principal Retirement	15,486	15,486	15,486
Interest and Fiscal Charges	2,687	3,033	3,340
Water Operating	967,274	250,651	117,531
Sewer Operating	283,748	300,311	265,913
Other Enterprise	970	780	2,772
Total Disbursements	<u>1,665,967</u>	<u>1,005,589</u>	<u>1,101,181</u>
Increase (Decrease) in Net Assets	(14,935)	(112,871)	(2,862)
Net Assets, January 1	591,604	704,475	707,337
Net Assets, December 31	<u>\$576,669</u>	<u>\$591,604</u>	<u>\$704,475</u>

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Governmental Activities Receipts

Program receipts in the governmental activities represent 21.5 percent and 20.0 percent of total receipts for 2009 and 2008, respectively. They are primarily comprised of intergovernmental receipts such as motor vehicle license, gas tax money, and permissive tax and grants, and charges for services.

General receipts in the governmental activities represent 78.5 percent and 80.0 percent of the Village's total receipts for 2009 and 2008, respectively. Local and income taxes represent 78.8 percent and 83.5 percent of the general receipts. Grants and entitlements make up the significant balance of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Business Type Receipts

In the business-type activities program receipts account for 38.1 percent and 79.1 percent of total receipts for 2009 and 2008, respectively. These receipts are comprised of charges for services, i.e. water and sewer charges, and capital grant contributions. The Village received financing in the amount of \$767,608 and \$100,080, in 2009 and 2008, respectively.

General receipts in the business type activities represent 61.9 percent and 20.9 percent of the Village's total business type receipts for 2009 and 2008, respectively.

Governmental Activities Disbursements

Disbursements for general government represents the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments. The disbursements for transportation are for improving and maintaining Village streets. The disbursements for public safety are for to maintain safety and welfare of the community and surrounding areas. Leisure time activities expend monies to provide for parks and recreation of the Village residents.

Business Type Disbursements

The disbursements of the Water fund are for the purpose of maintaining water lines; treatment of water; paying of wages of the department. The disbursements of the sewer fund are for the purpose of improving and maintaining sewer lines; payment of the wages of the department; and debt service.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation, which account for 28.1 percent and 27.6 percent of all governmental disbursements, in 2009 and 30.7 percent and 30.8 percent in 2008, respectively. General government also represents a significant cost, about 28.1 percent and 25.6 percent, for 2009 and 2008, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided

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by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities					
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2009	2009	2008	2008	2007	2007
Security of Persons and Property	116,342	103,987	139,441	125,696	357,244	103,436
Public Health Services	8,600	8,600	13,093	13,093	9,840	9,840
Leisure Time Activities	16,401	16,401	23,493	23,493	14,907	14,907
Community Environment	4,044	3,479	3,379	2,859	2,542	2,082
Transportation	114,092	45,786	139,680	80,071	123,898	52,320
General Government	116,323	109,025	116,242	109,303	127,688	120,560
Capital Outlay	20,000	0	0	0	60,020	0
Principal Retirement	15,486	15,486	15,486	15,486	15,486	15,486
Interest and Fiscal Charges	2,687	2,687	3,033	3,033	3,340	3,340
Total Expenses	413,975	305,451	453,847	373,034	714,965	321,971

The dependence upon income tax receipts is apparent as over 39.4 percent for 2009 and 37.0 percent for 2008, of governmental activities are supported through these general receipts.

The Village's Funds

Governmental Funds

Total governmental funds had receipts of \$410,983 and \$404,394 for 2009 and 2008, and disbursements of \$413,975 and \$453,847 for 2009 and 2008, respectively. The greatest changes occurred within the General Fund which saw a decrease in cash balance due to a decrease in total revenue and an increase in expenses.

Business Type Funds

Total business-type funds had receipts of \$1,240,049 and \$488,324 for 2009 and 2008, and disbursements of \$1,251,992 and \$551,742. The greatest change within the business type funds occurred in the Sewer Operating Fund, which had decreases for 2009 and 2008.

General Fund Budgeting Highlights

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

During 2009 and 2008, the Village amended its General Fund budget to reflect changing circumstances. In 2009, the difference between the final budgeted receipts and actual receipts was not significant. Final budgeted receipts were \$273,960 and actual receipts were \$275,981 for 2009. Final budgeted receipts were \$292,056 and actual receipts were \$267,900 for 2008.

Village of DeGraff
Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2009 and 2008
Unaudited

Final disbursements for 2009, for the General Fund were budgeted at \$303,815 while actual disbursements were \$286,664. Final disbursements for 2008 were budgeted at \$341,500 while actual disbursements were \$287,489. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2009, the Village's outstanding debt totaled \$1,225,210. Business-type activities debt issuances are for water and sewer related projects totaling \$1,189,701. Governmental fund activities have two loans for the purchase of maintenance vehicles and a new issuance in 2009 for the purchase of a building totaling \$35,509. In addition, the Village is responsible to the Village of Quincy for the joint venture in waste water treatment plant current debt liability is \$1,062,650, assuming an approximate 72.5 percent prorated share. For further information regarding the Village's debt refer to note 11 and note 12 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2010; therefore, the finance committee and the administration will continue to review viable options and strategies to delay the deficit. We have reduced planned park repairs and maintenance and have also reduced staffing levels in areas where we felt it would have the least impact on services. All departments have been asked to continue to reduce their spending for supplies by 10-20 percent. The Village is currently reviewing options for the recovery of uncollected/delinquent tax revenues owed to the Village in excess of two (2) years.

Contacting the Village's Financial Management

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

Village of DeGraff
Logan County
Statement of Net Assets - Cash Basis
December 31, 2009

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 112,391	\$ 464,278	\$ 576,669
<i>Total Assets</i>	<u>\$ 112,391</u>	<u>\$ 464,278</u>	<u>\$ 576,669</u>
 Net Assets			
Restricted for:			
Other Purposes	\$ 93,219	\$ 0	\$ 93,219
Unrestricted	<u>19,172</u>	<u>464,278</u>	<u>483,450</u>
<i>Total Net Assets</i>	<u>\$ 112,391</u>	<u>\$ 464,278</u>	<u>\$ 576,669</u>

See accompanying notes to the basic financial statements

**Village DeGraff
Logan County**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2009*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$ 116,342	\$ 11,995	\$ 360	\$ 0	\$ (103,987)	\$ 0	\$ (103,987)
Public Health Services	8,600	0	0	0	(8,600)	0	(8,600)
Leisure Time Activities	16,401	0	0	0	(16,401)	0	(16,401)
Community Environment	4,044	565	0	0	(3,479)	0	(3,479)
Transportation	114,092	0	60,391	7,915	(45,786)	0	(45,786)
General Government	116,323	7,298	0	0	(109,025)	0	(109,025)
Capital Outlay	20,000	0	0	0	(20,000)	0	(20,000)
Debt Service:							
Principal Retirement	15,486	0	0	0	(15,486)		(15,486)
Interest	2,687	0	0	0	(2,687)	0	(2,687)
<i>Total Governmental Activities</i>	<u>\$ 413,975</u>	<u>\$ 19,858</u>	<u>\$ 60,751</u>	<u>\$ 7,915</u>	<u>\$ (325,451)</u>	<u>\$ 0</u>	<u>\$ (325,451)</u>
Business Type Activities							
Water Operating	\$ 967,274	\$ 135,567	\$ 0	\$ 110,000	\$ 0	\$ (721,707)	\$ (721,707)
Sewer Operating	283,748	224,424	0	0	0	(59,324)	(59,324)
Other Enterprise	970	2,450	0	0	0	1,480	1,480
<i>Total Business Type Activities</i>	<u>1,251,992</u>	<u>362,441</u>	<u>0</u>	<u>110,000</u>	<u>0</u>	<u>(779,551)</u>	<u>(779,551)</u>
<i>Total Primary Government</i>	<u>\$ 1,665,967</u>	<u>\$ 382,299</u>	<u>\$ 60,751</u>	<u>\$ 117,915</u>	<u>\$ (325,451)</u>	<u>\$ (779,551)</u>	<u>\$ (1,105,002)</u>
General Receipts							
Property and Other Local Taxes					\$ 98,610	\$ 0	\$ 98,610
Municipal Income Taxes					155,373	0	155,373
Grant and Entitlements not Restricted to Specific Programs					41,563	0	41,563
Debt Proceeds					20,000	767,608	787,608
Earnings on Investments					3,674	0	3,674
Miscellaneous					3,239	0	3,239
<i>Total General Receipts</i>					322,459	767,608	1,090,067
Change in Net Assets					(2,992)	(11,943)	(14,935)
<i>Net Assets Beginning of Year</i>					115,383	476,221	591,604
<i>Net Assets End of Year</i>					<u>\$ 112,391</u>	<u>\$ 464,278</u>	<u>\$ 576,669</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

	General	Street Construction, Maint., & Repair	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 19,172	\$ 36,972	\$ 32,052	\$ 24,195	\$ 112,391
<i>Total Assets</i>	<u>\$ 19,172</u>	<u>\$ 36,972</u>	<u>\$ 32,052</u>	<u>\$ 24,195</u>	<u>\$ 112,391</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 19,172	\$ 0	\$ 0	\$ 0	\$ 19,172
Special Revenue Funds	<u>0</u>	<u>36,972</u>	<u>32,052</u>	<u>24,195</u>	<u>93,219</u>
<i>Total Fund Balances</i>	<u>\$ 19,172</u>	<u>\$ 36,972</u>	<u>\$ 32,052</u>	<u>\$ 24,195</u>	<u>\$ 112,391</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Street Construction Maint., & Repair	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 44,487	\$ 0	\$ 43,604	\$ 10,519	\$ 98,610
Municipal Income Taxes	155,373	0	0	0	155,373
Intergovernmental	41,713	62,329	0	5,977	110,019
Charges for Services	0	0	11,995	0	11,995
Fines, Licenses and Permits	7,863	0	0	0	7,863
Earnings on Investments	3,306	113	0	255	3,674
Miscellaneous	3,239	0	210	0	3,449
<i>Total Receipts</i>	<u>\$ 255,981</u>	<u>\$ 62,442</u>	<u>\$ 55,809</u>	<u>\$ 16,751</u>	<u>\$ 390,983</u>
Disbursements					
Current:					
Security of Persons and Property	\$ 64,143	\$ 0	\$ 52,199	\$ 0	\$ 116,342
Public Health Services	0	0	0	8,600	8,600
Leisure Time Activities	16,401	0	0	0	16,401
Community Environment	4,044	0	0	0	4,044
Transportation	54,531	50,021	0	9,540	114,092
General Government	115,275	0	1,048	0	116,323
Capital Outlay	20,000	0	0	0	20,000
Debt Service:					
Principal Retirement	10,145	0	0	5,341	15,486
Interest and Fiscal Charges	2,125	0	0	562	2,687
<i>Total Disbursements</i>	<u>\$ 286,664</u>	<u>\$ 50,021</u>	<u>\$ 53,247</u>	<u>\$ 24,043</u>	<u>\$ 413,975</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(30,683)	12,421	2,562	(7,292)	(22,992)
Other Financing Sources (Uses)					
Debt Proceeds	20,000	0	0	0	20,000
<i>Total Other Financing Sources (Uses)</i>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
<i>Net Change in Fund Balances</i>	(10,683)	12,421	2,562	(7,292)	(2,992)
<i>Fund Balances Beginning of Year</i>	<u>29,855</u>	<u>24,551</u>	<u>29,490</u>	<u>31,487</u>	<u>115,383</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 19,172</u></u>	<u><u>\$ 36,972</u></u>	<u><u>\$ 32,052</u></u>	<u><u>\$ 24,195</u></u>	<u><u>\$ 112,391</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 55,500	\$ 43,964	\$ 44,487	\$ 523
Municipal Income Taxes	190,000	155,373	155,373	0
Intergovernmental	78,300	41,713	41,713	0
Fines, Licenses and Permits	11,850	7,863	7,863	0
Earnings on Investment	3,500	2,227	3,306	1,079
Miscellaneous	10,449	2,820	3,239	419
<i>Total receipts</i>	<u>349,599</u>	<u>253,960</u>	<u>255,981</u>	<u>2,021</u>
Disbursements				
Current:				
Security of Persons and Property	71,140	64,143	64,143	0
Leisure Time Activities	25,606	16,401	16,401	0
Community Environment	4,850	4,045	4,044	1
Transportation	81,033	54,532	54,531	1
General Government	167,278	132,389	115,275	17,114
Capital Outlay	0	0	20,000	(20,000)
Debt Service:				
Principal Retirement	14,000	10,145	10,145	0
Interest and Fiscal Charges	3,000	2,125	2,125	0
<i>Total Disbursements</i>	<u>366,907</u>	<u>283,780</u>	<u>286,664</u>	<u>(2,884)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,308)</u>	<u>(29,820)</u>	<u>(30,683)</u>	<u>(863)</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	20,000	20,000
Transfers Out	0	(35)	0	35
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(35)</u>	<u>20,000</u>	<u>20,035</u>
<i>Net Change in Fund Balance</i>	(17,308)	(29,855)	(10,683)	19,172
<i>Fund Balance Beginning of Year</i>	<u>29,855</u>	<u>29,855</u>	<u>29,855</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 12,547</u>	<u>\$ 0</u>	<u>\$ 19,172</u>	<u>\$ 19,172</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance & Repair Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 72,336	\$ 62,330	\$ 62,329	\$ (1)
Earnings on Investment	113	115	113	(2)
<i>Total receipts</i>	<u>72,449</u>	<u>62,445</u>	<u>62,442</u>	<u>(3)</u>
Disbursements				
Current:				
Transportation	<u>94,406</u>	<u>86,996</u>	<u>50,021</u>	<u>36,975</u>
<i>Total Disbursements</i>	<u>94,406</u>	<u>86,996</u>	<u>50,021</u>	<u>36,975</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(21,957)	(24,551)	12,421	36,972
<i>Fund Balance Beginning of Year</i>	<u>24,551</u>	<u>24,551</u>	<u>24,551</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,594</u>	<u>\$ 0</u>	<u>\$ 36,972</u>	<u>\$ 36,972</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 43,604	\$ 43,604	\$ 43,604	\$ 0
Intergovernmental	16,701	0	0	0
Charges for Services	11,995	11,995	11,995	0
Miscellaneous	210	210	210	0
<i>Total receipts</i>	<u>72,510</u>	<u>55,809</u>	<u>55,809</u>	<u>0</u>
Disbursements				
Current:				
Security of Persons and Property	83,701	67,000	52,199	14,801
General Government	2,000	2,000	1,048	952
<i>Total Disbursements</i>	<u>85,701</u>	<u>69,000</u>	<u>53,247</u>	<u>15,753</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(13,191)	(13,191)	2,562	15,753
<i>Fund Balance Beginning of Year</i>	<u>29,490</u>	<u>29,490</u>	<u>29,490</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 16,299</u>	<u>\$ 16,299</u>	<u>\$ 32,052</u>	<u>\$ 15,753</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Cash Basis Assets and Fund Balances
Proprietary Funds
December 31, 2009

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Sewer Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 232,968	\$ 35,728	\$ 167,487	\$ 28,095	\$ 464,278
<i>Total Assets</i>	<u>\$ 232,968</u>	<u>\$ 35,728</u>	<u>\$ 167,487</u>	<u>\$ 28,095</u>	<u>\$ 464,278</u>
Net Assets:					
Unrestricted	\$ 232,968	\$ 35,728	\$ 167,487	\$ 28,095	\$ 464,278
<i>Total Net Assets</i>	<u>\$ 232,968</u>	<u>\$ 35,728</u>	<u>\$ 167,487</u>	<u>\$ 28,095</u>	<u>\$ 464,278</u>

See accompanying notes to the basic financial statements

Village of DeGraff

Logan County

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

Proprietary Funds

For the Year Ended December 31, 2009

	Water Operating	Sewer Operating	Sewer Reserve	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	\$ 135,567	\$ 224,424	\$ 0	\$ 2,450	\$ 362,441
<i>Total Operating Receipts</i>	<u>135,567</u>	<u>224,424</u>	<u>0</u>	<u>2,450</u>	<u>362,441</u>
Operating Disbursements					
Personal Services	53,907	60,828	0	0	114,735
Employee Fringe Benefits	16,386	23,874	0	0	40,260
Contractual Services	28,404	59,182	0	0	87,586
Supplies and Materials	11,880	17,261	0	0	29,141
Other	0	0	0	970	970
<i>Total Operating Disbursements</i>	<u>110,577</u>	<u>161,145</u>	<u>0</u>	<u>970</u>	<u>272,692</u>
<i>Operating Income (Loss)</i>	<u>24,990</u>	<u>63,279</u>	<u>0</u>	<u>1,480</u>	<u>89,749</u>
Non-Operating Receipts (Disbursements)					
Intergovernmental	110,000	0	0	0	110,000
Debt Proceeds	767,608	0	0	0	767,608
Capital Outlay	(835,710)	(19,249)	0	0	(854,959)
Other Non-Operating Disbursements	0	(52,887)	0	0	(52,887)
Principal Payments	(17,842)	(39,898)	0	0	(57,740)
Interest and Fiscal Charges	(3,145)	(10,569)	0	0	(13,714)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>20,911</u>	<u>(122,603)</u>	<u>0</u>	<u>0</u>	<u>(101,692)</u>
<i>Income (Loss) before Transfers</i>	45,901	(59,324)	0	1,480	(11,943)
<i>Transfers In</i>	0	0	4,404	6,606	11,010
<i>Transfers Out</i>	<u>(6,606)</u>	<u>(4,404)</u>	<u>0</u>	<u>0</u>	<u>(11,010)</u>
<i>Change in Net Assets</i>	39,295	(63,728)	4,404	8,086	(11,943)
<i>Net Assets Beginning of Year</i>	<u>193,673</u>	<u>99,456</u>	<u>163,083</u>	<u>20,009</u>	<u>476,221</u>
<i>Net Assets End of Year</i>	<u>\$ 232,968</u>	<u>\$ 35,728</u>	<u>\$ 167,487</u>	<u>\$ 28,095</u>	<u>\$ 464,278</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2009

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>808</u>
<i>Total Assets</i>	\$ <u><u>808</u></u>
Net Assets:	
Restricted	\$ <u>808</u>
<i>Total Net Assets</i>	\$ <u><u>808</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2009

	Private Purpose Trust
Additions	
Contributions	\$ <u>35</u>
<i>Total Additions</i>	<u>35</u>
Deductions	
Payments In Accordance with Trust Agreements	<u>500</u>
<i>Total Deductions</i>	<u>500</u>
 <i>Change in Net Assets</i>	 (465)
<i>Net Assets Beginning of Year</i>	<u>1,273</u>
<i>Net Assets End of Year</i>	<u><u>\$ 808</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Net Assets - Cash Basis
December 31, 2008

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 115,383	\$ 476,221	\$ 591,604
<i>Total Assets</i>	<u>\$ 115,383</u>	<u>\$ 476,221</u>	<u>\$ 591,604</u>
Net Assets			
Restricted for:			
Other Purposes	\$ 85,528	\$ 0	\$ 85,528
Unrestricted	<u>29,855</u>	<u>476,221</u>	<u>506,076</u>
<i>Total Net Assets</i>	<u>\$ 115,383</u>	<u>\$ 476,221</u>	<u>\$ 591,604</u>

See accompanying notes to the basic financial statements

Village DeGraff
Logan County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$ 139,441	\$ 13,745	\$ 0	\$ 0	\$ (125,696)	\$ 0	\$ (125,696)
Public Health Services	13,093	0	0	0	(13,093)	0	(13,093)
Leisure Time Activities	23,493	0	0	0	(23,493)	0	(23,493)
Community Environment	3,379	520	0	0	(2,859)	0	(2,859)
Transportation	139,680	0	59,609	0	(80,071)	0	(80,071)
General Government	116,242	6,939	0	0	(109,303)	0	(109,303)
Debt Service:							
Principal Retirement	15,486	0	0	0	(15,486)		(15,486)
Interest	3,033	0	0	0	(3,033)	0	(3,033)
Total Governmental Activities	\$ 453,847	\$ 21,204	\$ 59,609	\$ 0	\$ (373,034)	\$ 0	\$ (373,034)
Business Type Activities							
Water Operating	\$ 250,651	\$ 131,604	\$ 0	\$ 0	\$ 0	\$ (119,047)	\$ (119,047)
Sewer Operating	300,311	226,789	0	25,400	0	(48,122)	(48,122)
Other Enterprise	780	2,350	0	0	0	1,570	1,570
Total Business Type Activities	551,742	360,743	0	25,400	0	(165,599)	(165,599)
Total Primary Government	\$ 1,005,589	\$ 381,947	\$ 59,609	\$ 25,400	\$ (373,034)	\$ (165,599)	\$ (538,633)
General Receipts							
Property and Other Local Taxes					\$ 102,507	\$ 0	\$ 102,507
Municipal Income Taxes					167,769	0	167,769
Grant and Entitlements not Restricted to Specific Programs					45,286	0	45,286
Debt Proceeds					0	100,080	100,080
Earnings on Investments					5,481	2,101	7,582
Miscellaneous					2,538	0	2,538
Total General Receipts					323,581	102,181	425,762
Change in Net Assets					(49,453)	(63,418)	(112,871)
<i>Net Assets Beginning of Year</i>					<u>164,836</u>	<u>539,639</u>	<u>704,475</u>
<i>Net Assets End of Year</i>					<u>\$ 115,383</u>	<u>\$ 476,221</u>	<u>\$ 591,604</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Street Construction, Maint., & Repair	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 29,855	\$ 24,551	\$ 29,490	\$ 31,487	\$ 115,383
<i>Total Assets</i>	<u>\$ 29,855</u>	<u>\$ 24,551</u>	<u>\$ 29,490</u>	<u>\$ 31,487</u>	<u>\$ 115,383</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 29,855	\$ 0	\$ 0	\$ 0	\$ 29,855
Special Revenue Funds	<u>0</u>	<u>24,551</u>	<u>29,490</u>	<u>31,487</u>	<u>85,528</u>
<i>Total Fund Balances</i>	<u>\$ 29,855</u>	<u>\$ 24,551</u>	<u>\$ 29,490</u>	<u>\$ 31,487</u>	<u>\$ 115,383</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Street Construction Maint., & Repair	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 46,328	\$ 0	\$ 47,032	\$ 15,538	\$ 108,898
Municipal Income Taxes	167,769	0	0	0	167,769
Intergovernmental	38,895	55,417	0	4,192	98,504
Charges for Services	0	0	13,745	0	13,745
Fines, Licenses and Permits	7,459	0	0	0	7,459
Earnings on Investments	4,911	173	0	397	5,481
Miscellaneous	2,538	0	0	0	2,538
<i>Total Receipts</i>	<u>\$ 267,900</u>	<u>\$ 55,590</u>	<u>\$ 60,777</u>	<u>\$ 20,127</u>	<u>\$ 404,394</u>
Disbursements					
Current:					
Security of Persons and Property	\$ 68,758	\$ 0	\$ 70,683	\$ 0	\$ 139,441
Public Health Services	0	0	0	13,093	13,093
Leisure Time Activities	23,493	0	0	0	23,493
Community Environment	3,379	0	0	0	3,379
Transportation	60,312	79,235	0	133	139,680
General Government	115,002	0	1,240	0	116,242
Debt Service:					
Principal Retirement	10,145	0	0	5,341	15,486
Interest and Fiscal Charges	2,300	0	0	733	3,033
<i>Total Disbursements</i>	<u>\$ 283,389</u>	<u>\$ 79,235</u>	<u>\$ 71,923</u>	<u>\$ 19,300</u>	<u>\$ 453,847</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(15,489)	(23,645)	(11,146)	827	(49,453)
Other Financing Sources (Uses)					
Transfers In	0	0	0	4,100	4,100
Transfers Out	(4,100)	0	0	0	(4,100)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,100)</u>	<u>0</u>	<u>0</u>	<u>4,100</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(19,589)	(23,645)	(11,146)	4,927	(49,453)
<i>Fund Balances Beginning of Year</i>	49,444	48,196	40,636	26,560	164,836
<i>Fund Balances End of Year</i>	<u>\$ 29,855</u>	<u>\$ 24,551</u>	<u>\$ 29,490</u>	<u>\$ 31,487</u>	<u>\$ 115,383</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 47,738	\$ 47,738	\$ 46,328	\$ (1,410)
Municipal Income Taxes	190,657	190,657	167,769	(22,888)
Intergovernmental	36,777	36,777	38,895	2,118
Fines, Licenses and Permits	7,588	8,588	7,459	(1,129)
Earnings on Investment	5,951	5,951	4,911	(1,040)
Miscellaneous	3,345	2,345	2,538	193
<i>Total receipts</i>	<u>292,056</u>	<u>292,056</u>	<u>267,900</u>	<u>(24,156)</u>
Disbursements				
Current:				
Security of Persons and Property	75,025	75,025	68,758	6,267
Leisure Time Activities	27,300	31,300	23,493	7,807
Community Environment	3,000	3,500	3,379	121
Transportation	69,900	69,900	60,312	9,588
General Government	149,275	139,641	115,002	24,639
Debt Service:				
Principal Retirement	12,000	12,000	10,145	1,855
Interest and Fiscal Charges	5,000	5,000	2,300	2,700
<i>Total Disbursements</i>	<u>341,500</u>	<u>336,366</u>	<u>283,389</u>	<u>52,977</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,444)</u>	<u>(44,310)</u>	<u>(15,489)</u>	<u>28,821</u>
Other Financing Sources (Uses)				
Transfers Out	<u>0</u>	<u>(5,134)</u>	<u>(4,100)</u>	<u>1,034</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(5,134)</u>	<u>(4,100)</u>	<u>1,034</u>
<i>Net Change in Fund Balance</i>	(49,444)	(49,444)	(19,589)	29,855
<i>Fund Balance Beginning of Year</i>	<u>49,444</u>	<u>49,444</u>	<u>49,444</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,855</u>	<u>\$ 29,855</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance & Repair Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 62,607	\$ 62,607	\$ 55,417	\$ (7,190)
Earnings on Investment	293	293	173	(120)
Miscellaneous	<u>0</u>	<u>1,375</u>	<u>0</u>	<u>(1,375)</u>
<i>Total receipts</i>	<u>62,900</u>	<u>64,275</u>	<u>55,590</u>	<u>(8,685)</u>
Disbursements				
Current:				
Transportation	<u>111,096</u>	<u>112,471</u>	<u>79,235</u>	<u>33,236</u>
<i>Total Disbursements</i>	<u>111,096</u>	<u>112,471</u>	<u>79,235</u>	<u>33,236</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(48,196)	(48,196)	(23,645)	24,551
<i>Fund Balance Beginning of Year</i>	<u>48,196</u>	<u>48,196</u>	<u>48,196</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 24,551</u></u>	<u><u>\$ 24,551</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 51,020	\$ 51,020	\$ 47,032	\$ (3,988)
Charges for Services	11,995	11,995	13,745	1,750
Miscellaneous	1,000	1,000	0	(1,000)
<i>Total receipts</i>	<u>64,015</u>	<u>64,015</u>	<u>60,777</u>	<u>(3,238)</u>
Disbursements				
Current:				
Security of Persons and Property	102,651	102,651	70,683	31,968
General Government	2,000	2,000	1,240	760
<i>Total Disbursements</i>	<u>104,651</u>	<u>104,651</u>	<u>71,923</u>	<u>32,728</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(40,636)	(40,636)	(11,146)	29,490
<i>Fund Balance Beginning of Year</i>	<u>40,636</u>	<u>40,636</u>	<u>40,636</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 29,490</u></u>	<u><u>\$ 29,490</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Cash Basis Assets and Fund Balances
Proprietary Funds
December 31, 2008

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Sewer Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ <u>193,673</u>	\$ <u>99,456</u>	\$ <u>163,083</u>	\$ <u>20,009</u>	\$ <u>476,221</u>
<i>Total Assets</i>	<u>\$ 193,673</u>	<u>\$ 99,456</u>	<u>\$ 163,083</u>	<u>\$ 20,009</u>	<u>\$ 476,221</u>
Net Assets:					
Unrestricted	\$ <u>193,673</u>	\$ <u>99,456</u>	\$ <u>163,083</u>	\$ <u>20,009</u>	\$ <u>476,221</u>
<i>Total Net Assets</i>	<u>\$ 193,673</u>	<u>\$ 99,456</u>	<u>\$ 163,083</u>	<u>\$ 20,009</u>	<u>\$ 476,221</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Proprietary Funds
For the Year Ended December 31, 2008

	Water Operating	Sewer Operating	Sewer Reserve	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	\$ 131,604	\$ 226,789	\$ 0	\$ 2,350	\$ 360,743
<i>Total Operating Receipts</i>	<u>131,604</u>	<u>226,789</u>	<u>0</u>	<u>2,350</u>	<u>360,743</u>
Operating Disbursements					
Personal Services	51,517	56,084	0	0	107,601
Employee Fringe Benefits	12,880	19,702	0	0	32,582
Contractual Services	37,207	84,368	0	0	121,575
Supplies and Materials	14,016	16,743	0	0	30,759
Other	1,681	78	0	780	2,539
<i>Total Operating Disbursements</i>	<u>117,301</u>	<u>176,975</u>	<u>0</u>	<u>780</u>	<u>295,056</u>
<i>Operating Income (Loss)</i>	<u>14,303</u>	<u>49,814</u>	<u>0</u>	<u>1,570</u>	<u>65,687</u>
Non-Operating Receipts (Disbursements)					
Intergovernmental	0	25,400	0	0	25,400
Earnings on Investments	0	0	2,101	0	2,101
Debt Proceeds	100,080	0	0	0	100,080
Other Non-Operating Disbursements	0	(53,251)	0	0	(53,251)
Capital Outlay	(114,266)	(19,847)	0	0	(134,113)
Principal Payments	(15,638)	(37,799)	0	0	(53,437)
Interest and Fiscal Charges	(3,446)	(12,439)	0	0	(15,885)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,270)</u>	<u>(97,936)</u>	<u>2,101</u>	<u>0</u>	<u>(129,105)</u>
<i>Income (Loss) before Transfers</i>	(18,967)	(48,122)	2,101	1,570	(63,418)
<i>Transfers In</i>	0	0	4,404	0	4,404
<i>Transfers Out</i>	<u>0</u>	<u>(4,404)</u>	<u>0</u>	<u>0</u>	<u>(4,404)</u>
<i>Change in Net Assets</i>	(18,967)	(52,526)	6,505	1,570	(63,418)
<i>Net Assets Beginning of Year</i>	<u>212,640</u>	<u>151,982</u>	<u>156,578</u>	<u>18,439</u>	<u>539,639</u>
<i>Net Assets End of Year</i>	<u>\$ 193,673</u>	<u>\$ 99,456</u>	<u>\$ 163,083</u>	<u>\$ 20,009</u>	<u>\$ 476,221</u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2008

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,273</u>
<i>Total Assets</i>	\$ <u><u>1,273</u></u>
Net Assets:	
Restricted	\$ <u>1,273</u>
<i>Total Net Assets</i>	\$ <u><u>1,273</u></u>

See accompanying notes to the basic financial statements

Village of DeGraff
Logan County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2008

	<u>Private Purpose Trust</u>
Additions	
Contributions	\$ 1,336
<i>Total Additions</i>	<u>1,336</u>
Deductions	
Payments In Accordance with Trust Agreements	<u>500</u>
<i>Total Deductions</i>	<u>500</u>
 <i>Change in Net Assets</i>	 836
<i>Net Assets Beginning of Year</i>	<u>437</u>
<i>Net Assets End of Year</i>	\$ <u><u>1,273</u></u>

See accompanying notes to the basic financial statements

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Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Reporting Entity

The Village of DeGraff, Logan County, Ohio, (the “Village”) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

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

A. Primary Government

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

B. Component Units

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

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village participates in two (2) jointly governed organizations. Note 12 to the financial statements provide additional information for these entities. These organizations are:

Joint Venture Organizations:

- 1). The Quincy-DeGraff Joint Sewer Waste Water Treatment Facility
- 2). The Greenwood-Union Cemetery

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (continued)

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

B. Fund Accounting

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

Governmental Funds

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

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

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

Fire Fund – This fund account is for all transactions relating to operations of the Volunteer Fire Department, and all qualified expenditures for the Fire Department.

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

Proprietary Funds

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

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

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

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

Sewer Reserve Fund – established per the bond sinking fund requirements to accumulate funds for bond retirement.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance; both are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. Although the Auglaize County Budget Commission waived the required tax budget, the Village submitted the financial data they required in order to assess the need. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

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

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

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during was \$3,306 and \$4,911 in 2009 and 2008, respectively.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (continued)

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net Assets

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

M. Interfund Transactions

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

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction, Maintenance, and Repair, and the Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balances (cash basis). There were no encumbrances at year end December 31, 2009 and 2008.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 – Compliance

Ohio Rev. Code Section 5705.36 requires all subdivision to request reduced amended certificates upon determination that revenue will be less than the official certificate of estimated resources. Contrary to Ohio Law, estimated resources exceeded actual receipts in 2008 in the General, Street Construction Maint. & Repair, State Highway, Permissive Motor Vehicle and Fire funds by \$24,156, \$ 8,685, \$4,836, \$184 and \$3,238, respectively.

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated resources. Contrary to Ohio Law, the Village's appropriations exceeded resources in 2009 in the Water Operating and Debt Service funds by \$13,210, and \$42,099, respectively.

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated. Payments for expenditures were made without the appropriate purchase order.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 5 – Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

A. Deposits

At year-ended December 31, 2009, the carrying amount of the Village's deposits was \$577,477, and the bank balance was \$600,349. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" \$350,349 was exposed to custodial risk as discussed below, while \$250,000 was covered by federal depository insurance corporation. At year-ended December 31, 2008, the carrying amount of the Village's deposits was \$592,877, and the bank balance was \$624,861. Of the bank balance \$374,861 was exposed to custodial risk as discussed below, while \$250,000 was covered by federal depository insurance corporation.

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned. Such collateral, as permitted by the Ohio revised code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name or the respective depository bank and pledged as a poll of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2009 and 2008 represent the collection of 2008 and 2007 taxes. Real property taxes received in 2009 and 2008 were levied after October 1, 2008 and 2007, respectively, on assessed values as of January 1, 2009 and 2008, respectively, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually; the first payment is due December 31, with the remainder payable June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in 2009 and 2008, represent the collection of calendar year 2008 and 2007 taxes. Public utility real and tangible personal property taxes received in 2009 and 2008, became a lien on December 31, 2007 and 2006, and are collected with real property taxes. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility real property is assessed at thirty-five percent of true value; public utility property taxes are payable on the same dates as real property as described previously.

In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at twenty-five percent of its true value. As part of the phase out of the personal property tax, the assessment percentage of personal property was reduced to 6.25% for 2008. The tax was entirely phased out in 2009. Amounts paid by multi-county taxpayers are due September 20th of the year assessed. Single county taxpayers may pay annually or semi-annually the first payment due April 30th, the remainder payable by September 30th.

The assessed values of real property, public utility property, and tangible personal property upon which 2009 and 2008 property tax receipts were based are as follows:

Real Property	2009	2008
Residential	\$ 13,250,580	\$ 13,174,500
Agriculture	52,280	48,360
Commercial/Industrial/Mineral	2,078,330	2,084,990
Tangible Personal Property	185,770	501,210
Public Utility	342,800	360,350
Total Assessed Value	\$ 15,909,760	\$ 16,169,410

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Income Taxes

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2009 and 2008 the Village collected \$155,373 and \$167,769, respectively.

Note 8 – Risk Management

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

General Liability	\$3,000,000
Auto Liability & Auto physical damage	\$1,000,000
Property coverage	\$2,171,664
Public Official's liability	\$1,000,000
Inland Marine coverage	\$ 416,301
Employee Benefits Liability coverage	\$1,000,000
Commercial Crime coverage	\$1,000,000

Casualty excess-of-loss contracts at December 31, 2009 and 2008 generally protect against individual losses exceeding over the deductible.

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

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Note 9 – Defined Benefit Pension Plan

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

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 9 – Defined Benefit Pension Plan (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2009 and December 31, 2008 members in state and local classifications contributed 10.0 percent of covered payroll. The Village's contribution rate for 2009 and 2008 was 14.0 percent of covered payroll. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$32,034, \$28,817, and \$25,616 respectively. The full amount has been contributed for 2009, 2008, and 2007.

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEN benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009 and 2008, local government employer units contributed at 14 percent and 14 percent of covered payroll, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 10 – Postemployment Benefits, (continued)

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008 through March 31, 2009, the employer contribution allocated to the health care plan was 7.0 percent and 5.5 percent from April 1 through December 31, 2009, respectively, of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$13,134, \$11,527, and \$16,650, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

The OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the healthcare plan.

Note 11 – Debt

The Village's long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due in One Year
<u>Governmental Activities</u>						
Citizens Bank DeGraff-Vehicles	5.50%	\$ 30,995	0	15,486	15,509	15,509
Citizens Bank DeGraff-Roxy Bldg	5.75%	\$ 0	20,000	0	20,000	1,333
Total for Government Activities		\$ 30,995	20,000	15,486	35,509	16,842
<u>Business-type Activities</u>						
1993 OWDA Loan	6.75%	\$ 43,678	0	2,995	40,683	3,197
1984 USDA Rural Development Temporary Mortgage Revenue Bonds	5.00%	152,000	0	35,000	117,000	37,000
Citizens Bank DeGraff- Vehicle	5.50%	10,681	0	5,341	5,340	5,340
1986 USDA Rural Development Permanent Mortgage Revenue Bonds	6.375%	56,900	0	1,800	55,100	1,900
1998 OPWC Loan CM10B	0%	116,494	0	5,295	111,199	10,590
2008 OPWC Loan CM27I	0%	40,854	251,492	7,309	285,037	14,617
2008 OWDA Loan 4842	3.98%	59,226	388,682	0	447,908	n/a
2009 OWDA Loan 4939	4.71%	0	127,434	0	127,434	4,705
Total Business-type Activities		\$ 479,833	767,608	57,740	1,189,701	77,349

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 11 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due in One Year
<u>Governmental Activities</u>						
Citizens Bank DeGraff-Vehicles	5.50%	\$ 46,481	0	15,486	30,995	15,486
Total for Government Activities		\$ 46,481	0	15,486	30,995	15,486
<u>Business-type Activities</u>						
1993 OWDA Loan	6.75%	\$ 46,484	0	2,806	43,678	2,995
1984 USDA Rural Development Temporary Mortgage Revenue Bonds	5.00%	185,000	0	33,000	152,000	35,000
Citizens Bank DeGraff- Vehicle	5.50%	16,022	0	5,341	10,681	5,341
1986 USDA Rural Development Permanent Mortgage Revenue Bonds	6.375%	58,600	0	1,700	56,900	1,800
1998 OPWC Loan CM10B	0%	127,084	0	10,590	116,494	5,295
2008 OPWC Loan CM27I	0%	0	40,854	0	40,854	0
2008 OWDA Loan 4842	3.98%	0	59,226	0	59,226	0
Total Business-type Activities		\$ 433,190	100,080	53,437	479,833	50,431

Governmental Activities, Long Term debt

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

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%. 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.

Business Type Activities, Long Term debt

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 11 – Debt (continued)

Business Type Activities, Long Term debt

The USDA Rural Development Temporary Mortgage Revenue Bonds 1984 were obtained for the purpose of constructing improvements to the Village's sanitary sewer system and treatment facilities. The bonds require annual payments with maturity during 2012. As required by the bond agreement, the Village has established and funded an enterprise debt service reserve fund. The balance in the fund at December 31, 2009 is \$175,073. The Village has established the required bond and interest sinking fund in which 1/12th of the annual debt service is to be recorded each month.

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

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

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

The Ohio Public Works Commission (OPWC) Loan #CM27I (2008) was obtained to pay for the New Water Tower Replacement Project. The interest free loan will be repaid in semi-annual installments of \$ 7,309 over 20 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Ohio Water Development Authority (OWDA) Loan # 4842 (2008) was obtained for the purpose of paying for the costs of a new water tower/tank. The loan was approved for \$433,000 plus capitalized interest. The loan was a three year balloon with payment in full due January 31, 2011.

The Ohio Water Development Authority (OWDA) Loan # 4939 (2009) was obtained for the purpose of paying for the costs of a new water tower/tank that was mandated for replacement by the Ohio Protection Agency. Approximately ten (10) years ago, the old existing water tank developed damages beyond permanent repairs. A bottom saucer was installed to replace the original leaking saucer (bottom part of the water tank) on an emergency basis, and the tower was painted in order to meet EPA Standards and compliances to maintain public water services until a new Water Tank could be erected. The loan will be repaid in semi-annual installments over 30 years. The loan was approved for \$300,000 of which \$127,121 was drawn on the loan plus capitalized interest of \$313. First payment is due January 1, 2010 and final payment due July 1, 2039. Amortization schedule calculated as though the loan is drawn in full. The loan is secured by the water receipts. The village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 11 – Debt (continued)

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

Year	Citizens Bank of DeGraff		OWDA LOANS	
	Term Notes		Principal	Interest
	Principal	Interest		
2010	\$22,187	\$1,721	\$ 7,902	\$16,836
2011	1,333	1,073	441,343	51,103
2012	1,333	997	8,807	15,931
2013	1,333	920	9,299	15,438
2014	1,333	843	9,820	14,918
2015 - 2019	6,665	3,067	52,050	65,673
2020 - 2024	6,665	1,150	41,221	52,756
2025 - 2029	0	0	52,025	41,952
2030 - 2034	0	0	65,670	28,317
2035- 2039	0	0	85,859	11,108
Totals	\$40,849	\$9,771	\$773,996	\$314,032

Year	OPWC	USDA BOND	
	Principal	Principal	Interest
2010	\$ 25,207	\$ 38,900	\$ 9,363
2011	25,207	41,000	7,391
2012	25,207	43,100	5,314
2013	25,207	12,900	14,100
2014	25,207	17,600	9,435
2015 - 2019	126,039	18,600	3,060
2020 - 2024	78,382	0	0
2025 - 2029	65,780	0	0
Totals	\$396,236	\$172,100	\$48,663

Note 12 – Joint Ventures

Quincy-DeGraff WWTP Facility:

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

Village of DeGraff
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 12 – Joint Ventures (continued)

Quincy-DeGraff WWTP Facility:

The total cost of the project was estimated at \$3,000,000, less grants left a balance of approximately \$1,600,000 to be financed. The Village of Quincy obtained financing for the project. Revenues are collected by both communities, and appropriations are established by each community for upgrade and operation expenditures. The approximate share of cost to be paid by each entity is determined by the actual flow from each community (which is measurable) into the plant. On July 1st of each year, the percentage of cost ratio is reviewed and adjusted based on actual flow for the previous year, and the newly established rates take affect on January 1st of the following year. The Village of DeGraff paid a share rate of 72.5 percent for all operation and upgrade costs in 2009 and 2008. In 2009 and 2008 the Village share paid to Village of Quincy was \$52,887 and \$53,251, respectively. The following is a summary of the Village’s future annual service requirements assuming an approximate 72.5 percent usage by the Village of DeGraff, (2.5 percent increase from 2007). Payments are reported as other non-operating disbursements in the enterprise fund.

Year	Village of Quincy – (OWDA)	
	Principal	Interest
2010	18,430	8,014
2011	37,363	15,524
2012	37,926	14,961
2013	38,497	14,390
2014	39,077	13,811
2015 - 2019	204,387	60,048
2020 - 2024	220,244	44,191
2025 - 2029	237,331	27,104
2030 - 2034	229,395	8,691
Totals	\$1,062,650	\$206,734

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 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; (i.e., Quincy Mayor/DeGraff Fiscal Officer for odd years, and DeGraff Mayor/Quincy Fiscal Officer for even years).

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
Logan County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 12 – Joint Ventures (continued)

Greenwood-Union Cemetery:

The Greenwood-Union Cemetery Board members are appointed by their respective entities. It is a three (3) member Board. The majority vote revolves every two (2) years. The Pleasant Township Trustees appointed one (1) member to the board for 2009. The Village Mayor appointed two (2) council members to the Cemetery Board in 2009. The Cemetery Board has Voting Authority for the cemetery.

The Village of DeGraff supports the Cemetery through a voted tax levy. This levy money along with the related homestead and rollback revenue is received by the Village and then distributed to the Cemetery. These revenues are receipted as “memo” receipts. The gross amount of the settlement is receipted, and then the applicable distributions are charged to the appropriate accounts, and then the net amount is reflected as a reimbursement.

Note 13 – Subsequent Events

The Village is currently involved in negotiations with the water tower construction company it contracted with to build the new water tower. Work has not been completed on the project which was originally scheduled for completion in the summer of 2009 and the Village has noted water leaks on the outer tank. The construction company has, and will continue, to make efforts to correct the problems noted by the Village. As of this report date the Village is holding approximately \$95,000 which is the final payment for the project from which total liquidated damages will be subtracted once they are determined.

Management has evaluated subsequent events through April 29, 2010, the date on which the financial statements were available for issue.

Note 14 – Transfers

During 2009, the following transfers were made:

<i>Transfers from Water Fund to:</i>	
Water Debt Service Fund	\$ 6,066
 <i>Transfers from Sewer Fund to:</i>	
Sewer Reserve Fund	\$4,404

During 2008, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 4,100
 <i>Transfers from Sewer Fund to:</i>	
Sewer Reserve Fund	\$4,404

General fund transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and ordinances approved by council. Other transfers include:

- 1) Annual transfer of \$6,066 from water fund to debt service fund for future repayment of debt
- 2) Annual transfer of \$4,404 from sewer fund to sewer reserve fund

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MANNING & ASSOCIATES CPAS, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of DeGraff, Logan County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 29, 2010, wherein, we noted the Village prepared its financial statements on a cash basis, a comprehensive basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings Number 2009-004 and 2009-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 findings as Findings Number 2009-001 through 2009-004.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Members of Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

April 29, 2010

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

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

Amounts less than \$1,000 for village (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the “then and now” certificate, provided that the expenditures is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village issued “Then and Now” purchase orders for amounts over the \$3,000; 20 in 2009 and 7 in 2008. Additionally, the Village issued purchase orders after the incurrence of an expense without certifying the purchase order as a “Then and Now” for 9 out of 153 expenditures tested in 2008.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Village’s Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, and other conditions are met, “Then and Now” certification should be used.

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

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008

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

FINDING NUMBER 2009-002

Noncompliance

Ohio Rev. Code, Section 5705.36 allows all 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 the deficiency will reduce available resources below that current level of appropriation. The following funds were determined to have estimated receipts significantly in excess of actual receipts:

Fund	Estimated Resources	Actual Receipts	Variance
2008			
General Fund	292,056	267,900	(24,156)
Street Construction	64,275	55,590	(8,685)
State Highway	9,201	4,365	(4,836)
Permissive MVL	6,799	6,615	(184)
Fire Fund	64,015	60,777	(3,238)

The Board should monitor receipts and amend estimated receipts when necessary to keep estimated receipts in line with actual receipts and make corresponding amendments to its appropriations and disbursements.

Response: The Village has made improvements on monitoring and amending certificates of estimated resources and will continue to monitor budgetary compliance more closely.

FINDING NUMBER 2009-003

Noncompliance

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008

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

FINDING NUMBER 2009-003 (Continued)

In 2009, the following funds had appropriations in excess of the actual resources available for expenditure:

Fund	Estimated Resources	Appropriations	Variance
Water Operating	1,172,857	1,186,067	(13,210)
Debt Service Reserve	6,606	48,705	(42,099)

Failure to properly monitor and compare estimated resources and appropriations increases the likelihood that the Village will inadvertently overspend.

Response: The Village has made improvements on monitoring and amending certificates of estimated resources and will continue to monitor budgetary compliance more closely.

FINDING NUMBER 2009-004

Material Weakness

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the Village books and exhibit accurate statements of all monies received and expended. The Village did not properly classify all transactions resulting in an inaccurate record of all monies received by the Village. The following were noted:

- A. Loan proceeds and grants were recorded as special assessments.
- B. CD interest for 2010 was posted as received in 2009.
- C. Miscellaneous adjustments were required to properly record some revenue items.
- D. Budgetary amounts filed with the County Auditor did not match amounts in the UAN system.
- E. Loan proceeds and associated capital outlay of the purchase of real estate was not recorded on the Village records. In addition, the Village should obtain an official certificate of estimated resource for any receipts expected, and pass a resolution for its appropriation measure under Ohio Rev. Code section 5705.40.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and resulted in inaccurate accounting records. We recommend the Village post items according to the Village handbook. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where need.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

FINDING NUMBER 2009-005

Material Weakness

The Village does not have a system in place to properly record and/or monitor each income tax receipt received. The Fiscal Officer took on the role of Income Tax Administrator as of November 2007. For 2009 and 2008, income tax collections were not individually receipted or recorded by the Village. Instead, income tax receipts received for the day were totaled and receipted together in the UAN system. The Village does not have a system in place to monitor and track tax filings and/or delinquent taxes due from taxpayers. In 2009, the date received and amount paid, if any, was stamped on each return; no such procedure was followed in 2008.

The Village should implement a system that, at a minimum, allows them to determine for each individual taxpayer, when a payment was received and in what amount. Procedures for notifying and collection of delinquent taxpayers should also be established.

Response: The Village has begun the process of implementing a computerized system for 2010.

**VILLAGE OF DEGRAFF
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2007-001	ORC Sec. 5705.41(D) - Expenditures were not properly certified and Then and Now POs were issued in excess of allowable amounts	No	Reissued as Finding Number 2009-001
2007-002	ORC 5705.36 - Failure to obtain the amended certificate of estimated resources	No	Reissued as Finding Number 2009-002
2007-003	Failure to record on-behalf payments	Yes	
2007-004	ORC 733.28 - Failure to properly maintain books and records	No	Reissued as Finding Number 2009-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF DEGRAFF

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2010**