

**VILLAGE OF GRANVILLE
LICKING COUNTY**

AUDIT REPORT

JANUARY 1, 2010 – DECEMBER 31, 2011

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Village Council
Village of Granville
141 East Broadway
Granville, Ohio 43023

We have reviewed the *Independent Auditors' Report* of the Village of Granville, Licking County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Granville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 22, 2012

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**VILLAGE OF GRANVILLE
LICKING COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Village of Granville
Licking County
141 East Broadway
Granville, Ohio 43023

To the Village Council:

We have audited the accompanying financial statement of the Village of Granville, Licking County as of and for the years ended December 31, 2011 and 2010. 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 audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to presenting the Government's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement reformatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ending December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Granville as of December 31, 2011 and 2010, and or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Granville, Licking County, as of December 31, 2011 and 2010, and the reserve for encumbrances as of December 31, 2010 of the Village of Granville, Licking County and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Granville
Independent Auditors' Report
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As described in Note 1, during 2011 the Village of Granville adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 5, 2012, on our consideration of the Village of Granville's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 5, 2012

VILLAGE OF GRANVILLE
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts						
Property Tax and Other Local Taxes	\$ 3,328,527	\$ -	\$ -	\$ -	\$ -	\$ 3,328,527
Special Assessments	-	-	21,524	-	-	21,524
Intergovernmental Receipts	2,164,466	189,287	-	-	-	2,353,753
Charges for Services	-	-	-	-	-	-
Fines, Licenses, and Permits	131,395	170	-	-	-	131,565
Earnings on Investments	10,102	135	-	-	-	10,237
Miscellaneous	247,996	85	-	-	-	248,081
Total Cash Receipts	5,882,486	189,677	21,524	-	-	6,093,687
Cash Disbursements						
Current:						
Security of Persons and Property	1,063,754	-	-	-	-	1,063,754
Public Health Services	26,511	-	-	-	-	26,511
Leisure Time Activities	-	892	-	-	-	892
Community Environment	67,173	25,000	-	-	-	92,173
Transportation	651,731	133,294	-	-	-	785,025
General Government	1,068,766	-	-	-	-	1,068,766
Debt Service						
Principal	30,986	463,000	24,580	-	-	518,566
Interest	-	6,995	1,102	-	-	8,097
Capital Outlay	441,865	118,200	-	77,952	-	638,017
Total Cash Disbursements	3,350,786	747,381	25,682	77,952	-	4,201,801
Total Receipts Over/(Under) Disbursements	2,531,700	(557,704)	(4,158)	(77,952)	-	1,891,886
Other Financing Receipts/(Disbursements)						
Transfers - In	25,000	226,000	-	2,039,311	-	2,290,311
Note Proceeds	-	359,000	-	-	-	359,000
Transfers - Out	(2,218,782)	-	-	-	-	(2,218,782)
Other Uses	-	-	-	-	-	-
Total Other Financing Receipts/(Disbursements)	(2,193,782)	585,000	-	2,039,311	-	430,529
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements						
	337,918	27,296	(4,158)	1,961,359	-	2,322,415
Fund Cash Balances, January 1, 2011	1,294,913	611,249	22,528	521,733	110	2,450,533
Fund Cash Balances, December 31, 2011						
Nonspendable	-	-	-	-	110	110
Assigned	139,720	13,183	-	19,790	-	172,693
Restricted	-	199,837	18,370	-	-	218,207
Committed	-	425,555	-	2,463,302	-	2,888,857
Unassigned (Deficit)	1,493,111	-	-	-	-	1,493,111
Fund Cash Balances, December 31, 2011	\$ 1,632,831	\$ 638,545	\$ 18,370	\$ 2,483,092	\$ 110	\$ 4,772,948

See notes to financial statements.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,545,983	\$ -	\$ 1,545,983
Total Operating Cash Receipts	<u>1,545,983</u>	<u>-</u>	<u>1,545,983</u>
Operating Cash Disbursements:			
Personal Services	532,407	-	532,407
Contractual Services	617,515	-	617,515
Supplies and Materials	208,772	-	208,772
Capital Outlay	138,978	-	138,978
Total Operating Cash Disbursements	<u>1,497,672</u>	<u>-</u>	<u>1,497,672</u>
Operating Income/(Loss)	<u>48,311</u>	<u>-</u>	<u>48,311</u>
Non-Operating Cash Receipts:			
Other Non-operating Receipts	<u>-</u>	<u>150,684</u>	<u>150,684</u>
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	-	145,022	145,022
Debt Service-Principal	45,162	-	45,162
Debt Service-Interest	8,233	-	8,233
Total Non-Operating Cash Disbursements	<u>53,395</u>	<u>145,022</u>	<u>198,417</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(5,084)</u>	<u>5,662</u>	<u>578</u>
Transfer-In	30,000	-	30,000
Transfers-Out	<u>(101,529)</u>	<u>-</u>	<u>(101,529)</u>
Net Receipts Over/(Under) Disbursements	<u>(76,613)</u>	<u>5,662</u>	<u>(70,951)</u>
Fund Cash Balances, January 1	<u>501,687</u>	<u>9,443</u>	<u>511,130</u>
Fund Cash Balances, December 31	<u>\$ 425,074</u>	<u>\$ 15,105</u>	<u>\$ 440,179</u>
Reserve for Encumbrances, December 31	<u>\$ 69,045</u>	<u>\$ -</u>	<u>\$ 69,045</u>

See notes to financial statements.

VILLAGE OF GRANVILLE
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts						
Property Tax and Other Local Taxes	\$ 3,048,599	\$ -	\$ -	\$ -	\$ -	\$ 3,048,599
Special Assessments	-	-	20,408	-	-	20,408
Intergovernmental Receipts	619,746	283,731	-	-	-	903,477
Charges for Services	-	-	-	-	-	-
Fines, Licenses, and Permits	163,805	70	-	-	-	163,875
Earnings on Investments	14,652	31	-	-	-	14,683
Miscellaneous	58,813	25,000	-	-	-	83,813
Total Cash Receipts	3,905,615	308,832	20,408	-	-	4,234,855
Cash Disbursements						
Current:						
Security of Persons and Property	1,029,799	-	-	-	-	1,029,799
Public Health Services	26,080	-	-	-	-	26,080
Community Environment	69,439	25,000	-	-	-	94,439
Transportation	652,163	168,370	-	-	-	820,533
General Government	1,059,580	-	-	-	-	1,059,580
Debt Service						
Principal	30,986	551,000	22,355	-	-	604,341
Interest	-	32,410	1,197	-	-	33,607
Capital Outlay	619,387	165,027	-	175,000	-	959,414
Total Cash Disbursements	3,487,434	941,807	23,552	175,000	-	4,627,793
Total Receipts Over/(Under) Disbursements	418,181	(632,975)	(3,144)	(175,000)	-	(392,938)
Other Financing Receipts/(Disbursements)						
Transfers - In	38,045	255,500	-	120,729	-	414,274
Note Proceeds	-	463,000	-	-	-	463,000
Transfers - Out	(333,400)	-	-	(13,045)	-	(346,445)
Other Uses	-	-	-	-	-	-
Total Other Financing Receipts/(Disbursements)	(295,355)	718,500	-	107,684	-	530,829
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	122,826	85,525	(3,144)	(67,316)	-	137,891
Fund Cash Balnces, January 1, 2010	1,172,087	525,724	25,672	589,049	110	2,312,642
Fund Cash Balances, December 31, 2010	\$ 1,294,913	\$ 611,249	\$ 22,528	\$ 521,733	\$ 110	\$ 2,450,533
Reserve for Encumbrances, December 31, 2010	\$ 182,641	\$ 6,095	\$ -	\$ -	\$ -	\$ 188,736

See notes to financial statements.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,376,567	\$ -	\$ 1,376,567
Total Operating Cash Receipts	<u>1,376,567</u>	<u>-</u>	<u>1,376,567</u>
Operating Cash Disbursements:			
Personal Services	505,790	-	505,790
Contractual Services	573,634	-	573,634
Supplies and Materials	195,600	-	195,600
Capital Outlay	157,860	-	157,860
Total Operating Cash Disbursements	<u>1,432,884</u>	<u>-</u>	<u>1,432,884</u>
Operating Income/(Loss)	<u>(56,317)</u>	<u>-</u>	<u>(56,317)</u>
Non-Operating Cash Receipts:			
Other Non-operating Receipts	<u>-</u>	<u>170,038</u>	<u>170,038</u>
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	-	171,443	171,443
Debt Service-Principal	49,636	-	49,636
Debt Service-Interest	3,567	-	3,567
Total Non-Operating Cash Disbursements	<u>53,203</u>	<u>171,443</u>	<u>224,646</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(109,520)	(1,405)	(110,925)
Transfers-Out	<u>(67,829)</u>	<u>-</u>	<u>(67,829)</u>
Net Receipts Over/(Under) Disbursements	(177,349)	(1,405)	(178,754)
Fund Cash Balances, January 1	<u>679,036</u>	<u>10,848</u>	<u>689,884</u>
Fund Cash Balances, December 31	<u>\$ 501,687</u>	<u>\$ 9,443</u>	<u>\$ 511,130</u>
Reserve for Encumbrances, December 31	<u>\$ 83,500</u>	<u>\$ -</u>	<u>\$ 83,500</u>

See notes to financial statements.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Granville, Licking County, Ohio (the Village) is a body corporate and politic 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 publicly-elected seven-member Council. The Village operates by charter passed by the voters in 1964. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services. The Village receives fire protection services from Granville Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

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

Repurchase Agreements and U.S. Treasury Notes are valued at cost.

Money market mutual funds are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than form trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Bryn Du Fund – This fund accounts for expenditures and revenues attributable to the Bryn Du property.

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. These funds are also used for payment of special assessments.

Special Assessments Fund – This fund collects assessments from the County Auditor to repay debt.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Capital Improvement Reserve Fund - This fund receives transfers from the general fund that is used for construction of and improvements to the Village.

Equipment Reserve Fund - This fund receives transfers from several funds and is used to construct and maintain Village equipment.

Enterprise Funds

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

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

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

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Fiduciary Funds

Mayors Court Fund - This fund receives fines and fees levied for traffic violations as prescribed by Village Ordinance. The funds are distributed to various agencies as prescribed by the Ohio Revised Code.

E. Budgetary Process

The Ohio Revised Code requires that the Village budget annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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

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

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2011	2010
Demand Deposits	<u>\$ 2,063,130</u>	<u>\$ 93,943</u>
Total Deposits	<u>2,063,130</u>	<u>93,943</u>
Money Markets	250,983	250,952
Sweep Accounts	2,661,478	2,374,703
U.S. Treasury Notes	<u>237,536</u>	<u>242,065</u>
Total Investments	<u>\$ 3,149,997</u>	<u>\$ 2,867,720</u>
Total Deposits and Investments	<u><u>\$ 5,213,127</u></u>	<u><u>\$ 2,961,663</u></u>

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Notes are held in book-entry form at the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Repurchase agreements are held at Park National Bank and are covered by collateral held by third party trustees.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2011 and 2010 is as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 6,056,290	\$ 5,907,486	\$ (148,804)
Special Revenue	838,900	774,677	(64,223)
Debt Service	30,000	21,524	(8,476)
Capital Projects	115,529	2,039,311	1,923,782
Enterprise	1,631,550	1,575,983	(55,567)
Total	<u>\$ 8,672,269</u>	<u>\$ 10,318,981</u>	<u>\$ 1,646,712</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 6,244,508	\$ 5,709,288	\$ 535,220
Special Revenue	996,067	760,534	235,533
Debt Service	28,450	25,682	2,768
Capital Project	78,331	97,742	(19,411)
Enterprise	1,786,078	1,652,596	133,482
Total	<u>\$ 9,133,434</u>	<u>\$ 8,245,842</u>	<u>\$ 887,592</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,933,400	\$ 3,943,660	\$ 10,260
Special Revenue	578,400	1,027,332	448,932
Debt Service	30,000	20,408	(9,592)
Capital Projects	119,777	120,729	952
Enterprise	1,650,000	1,376,567	(273,433)
Total	<u>\$ 6,311,577</u>	<u>\$ 6,488,696</u>	<u>\$ 177,119</u>

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,577,599	\$ 4,003,475	\$ 574,124
Special Revenue	637,404	947,902	(310,498)
Debt Service	27,400	23,552	3,848
Capital Projects	202,145	188,045	14,100
Enterprise	1,910,333	1,569,587	340,746
Total	\$ 7,354,881	\$ 6,732,561	\$ 622,320

Contrary to Ohio Revised Code Section 5705.39, the Village had funds with appropriations greater than estimated resources. In 2011 the fund was the Water Capital Improvement Fund.

Contrary to Ohio Revised Code Section 5705.41(B), the Village had funds with expenditures greater than appropriations. In 2010 it was the Bryn Du Fund.

Contrary to Ohio Revised Code Section 5705.36, the Village had funds where appropriations were greater than the unencumbered balance plus actual receipts. In 2011, it was the Bryn Du Fund and Refuse Collection Fund. In 2010 it was the Permissive Tax Fund, Sewer Fund and Refuse Collection Fund.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	2011 Principal	%
Ohio Water Development Authority Loans	\$ 46,791	8.3
Ohio Public Works Commission Note	263,381	0.0
Mortgage Revenue Bonds	85,000	6.0
Special Assessment Bonds	25,000	6.0
Waterworks Bond	8,000	6.0
Property Acquisition Note	359,000	7.0
Total	\$ 787,172	

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion projects that was necessary for the Village. The OWDA has approved \$274,026 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$13,176, including interest, over 25 years. The loan is collateralized by water and sewer receipts.

The Ohio Public Works Commission Note is a 0% note used for South Main Street Improvements.

The Property Acquisition Note was issued in anticipation of bonds for the purchase of the property at 537 Jones Road.

Special Assessment Bonds were issued in 1997 and 1993 for sanitary sewer and water system improvements, payable in various amounts.

Water system improvement bonds (Mortgage Revenue) issued in 1993 for water system improvements and booster station, payable in various amounts.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	OWDA Loans	Mortgage Revenue Bonds	Special Assessment Bonds	OPWC Loan	Waterworks Bonds
2012	\$ 26,353	\$ 47,188	\$ 6,438	\$ 30,986	\$ 4,480
2013	26,353	47,188	6,150	30,986	4,240
2014	26,353	-	5,863	30,986	-
2015	-	-	5,575	30,986	-
2016	-	-	5,288	30,986	-
2017-2021	-	-	-	108,451	-
2022-2026	-	-	-	-	-
	<u>\$ 79,059</u>	<u>\$ 94,376</u>	<u>\$ 29,314</u>	<u>\$ 263,381</u>	<u>\$ 8,720</u>

The Property Acquisition note is due in 2012. The prior audit report understated outstanding debt by \$551,000 which was a Property Acquisition Note outstanding at 12/31/09.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

6. RETIREMENT SYSTEMS

The Villages law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, members of PFDPF contributed 10% of their wages to PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 10.0% of their gross salaries for 2011 and 2010, respectively. The Village contributed an amount equal to 14.0% of participant's gross salaries for 2011 and 2010, respectively. The Village has paid all contributions required through December 31, 2011.

7. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- * Comprehensive property and general liability
- * Vehicles

Self Insurance

The Village joined the Central Ohio Care Consortium (COHCC), a risk sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of eight political subdivisions that pool risk for basic hospital, surgical and prescription drug coverage. The Pool is governed by a Board of Directors consisting of one director appointed by each member municipality. The Board elects a chairman, vice-chairman, secretary and treasurer. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool are subject to the approval of the Board.

The Village pays monthly contributions to the Pool, which are used to purchase excess loss insurance for the Pool, pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The monthly contribution is determined for each member in accordance with the number of covered officers and employees, and the prior loss experience of the respective member group. The members' contributions represent 115 percent of the expected costs of the Pool, which will allow the Pool to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the Pool's operation.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

8. RISK MANAGEMENT (Continued)

Self Insurance (Continued)

The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid to an individual in excess of \$175,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$6,626,627, to a maximum of \$1,000,000 annually. In the event that the losses of the consortium in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which claim was made. No such loss has occurred in the past four years.

The Village currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate ongoing operations. After a vote to terminate the Pool, the Board would wind-up the Pool's business as quickly as practical, but in any event would complete this process no later than twelve months after the termination date. During such period, the Pool would continue to pay all claims and expenses until the Pool's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the Pool would be paid to the members of the Pools who are members as of the termination date. The Board would determine the manner in which surplus funds would be distributed, and would consider the percentage relationship which each member's contributions to the Pool for the prior three calendar years of the Pool bore to all members' contributions to the Pool for that same period. The Village's payment for health insurance coverage to COHCC for 2011, 2010 and 2009 was \$332,141, \$309,230 and \$280,930, respectively.

9. JOINTLY GOVERNED ORGANIZATION

The Granville Recreation District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating entities: the Village of Granville, Granville Township and the Granville Exempted Village School District. It was established in 2009.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Village of Granville
Licking County
151 East Broadway
Granville, Ohio 43023

To the Village Council:

We have audited the financial statements of Village of Granville as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 5, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village adopted Governmental Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Granville's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness..

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Granville'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 have directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2011-02.

We noted certain matters not requiring inclusion in this report that we have reported to the management of Village of Granville in a separate letter dated April 5, 2012.

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

We intend this report solely for the information and use of the Village's management, Auditor of State, and others within the Village. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 5, 2012

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Material Weakness – Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The fiscal officer did not accurately post receipts and disbursements to the Village's accounting records. The following posting errors were noted:

- Agency Fund activity for Mayor's Court was not included on the financial statements during 2011 (\$150,684 in Fines Collected and \$145,022 in Fines Disbursed) or during 2010 (\$170,038 in Fines Collected and \$171,443 in Fines Disbursed).
- The Village did not record \$463,000 in Note Proceeds during FY2010 in the Special Revenue Fund.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit adjustments as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's fiscal officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Village Handbook descriptions and AOS Bulletins.

The Village's financial statements and accounting records have been adjusted to accurately reflect the items above.

Client Response: We agree with the note finding in FY10 and we have properly recorded the note in 2011. The Mayor's Court activity of fines collected and fines disbursed will be tracked monthly by the Finance Director and will be added to the accounting records annually here forward.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-02

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

During the course of our audit we noted expenditures exceeded appropriations in the following fund:

2010

Fund	Appropriations	Actual Expenditures	Variance
Bryn Du	\$175,000	\$724,411	\$(549,411)

We recommend the Village appropriate expenditures and amend estimated appropriations when necessary and that Council ensures that expenditures do not exceed appropriations.

Client Response: Finding 2011-02 is the direct result for Finding Number 2011-01. Up and until 2011, the Village did not record the Bryn Du note proceeds or pay down. The note has been properly recorded and appropriated in 2011.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Monitoring system for financial statement presentation	No	Not Corrected: Stated as Finding Number 2011-01 in current report
2009-002	ORC 5705.41(B) Expenditures exceed appropriations	No	Not Corrected: Stated as Finding Number 2011-02 in current report



Dave Yost • Auditor of State

VILLAGE OF GRANVILLE

LICKING 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 05, 2012