



Mary Taylor, CPA
Auditor of State

VILLAGE OF GRANVILLE
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
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, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
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, 2008.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 17, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Granville, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 presenting the Village'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 Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Granville, Licking County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 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 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 17, 2010

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$ 411,108	\$ -	\$ -	\$ -	\$ -	\$ 411,108
Municipal Income Tax	2,733,747	-	-	-	-	2,733,747
Intergovernmental	404,764	143,826	-	-	-	548,590
Special Assessments	-	-	20,038	-	-	20,038
Fines, Licenses and Permits	141,294	1,199	-	-	-	142,493
Earnings on Investments	32,509	-	-	-	-	32,509
Miscellaneous	121,501	-	-	-	-	121,501
Total Cash Receipts	3,844,923	145,025	20,038	-	-	4,009,986
Cash Disbursements:						
Current:						
Security of Persons and Property	1,011,436	-	-	-	-	1,011,436
Public Health Services	25,364	-	-	-	-	25,364
Community Environment	88,057	25,000	-	-	-	113,057
Transportation	696,903	143,478	-	-	-	840,381
General Government	1,035,913	-	-	-	-	1,035,913
Debt Service:						
Redemption of Principal	30,986	650,764	26,789	-	-	708,539
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay	991,274	50,000	-	91,745	-	1,133,019
Total Cash Disbursements	3,879,933	869,242	26,789	91,745	-	4,867,709
Total Receipts Over/(Under) Disbursements	(35,010)	(724,217)	(6,751)	(91,745)	-	(857,723)
Other Financing Receipts / (Disbursements):						
Sale of Bonds	-	551,000	-	-	-	551,000
Transfers-In	10,000	331,386	-	111,925	-	453,311
Transfers-Out	(316,850)	(92,436)	-	-	-	(409,286)
Total Other Financing Receipts / (Disbursements)	(306,850)	789,950	-	111,925	-	595,025
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(341,860)	65,733	(6,751)	20,180	-	(262,698)
Fund Cash Balances, January 1	1,513,947	459,991	32,423	568,869	110	2,575,340
Fund Cash Balances, December 31	\$ 1,172,087	\$ 525,724	\$ 25,672	\$ 589,049	\$ 110	\$ 2,312,642
Reserve for Encumbrances, December 31	\$ 63,388	\$ 6,456	\$ -	\$ -	\$ -	\$ 69,844

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

**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, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,229,060	\$ -	\$ 1,229,060
Total Operating Cash Receipts	<u>1,229,060</u>	<u>-</u>	<u>1,229,060</u>
Operating Cash Disbursements:			
Personal Services	484,332	-	484,332
Contractual Services	427,557	-	427,557
Supplies and Materials	197,930	-	197,930
Capital Outlay	112,945	-	112,945
Total Operating Cash Disbursements	<u>1,222,764</u>	<u>-</u>	<u>1,222,764</u>
Operating Income/(Loss)	<u>6,296</u>	<u>-</u>	<u>6,296</u>
Non-Operating Cash Receipts:			
Fines and Fees Collected	-	156,691	156,691
Total Non-Operating Cash Receipts	<u>-</u>	<u>156,691</u>	<u>156,691</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	56,214	-	56,214
Fines and Fees Disbursed	-	156,688	156,688
Total Non-Operating Cash Disbursements	<u>56,214</u>	<u>156,688</u>	<u>212,902</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(49,918)	3	(49,915)
Transfers-Out	<u>(44,025)</u>	<u>-</u>	<u>(44,025)</u>
Net Receipts Over/(Under) Disbursements	(93,943)	3	(93,940)
Fund Cash Balances, January 1	<u>772,979</u>	<u>10,845</u>	<u>783,824</u>
Fund Cash Balances, December 31	<u>\$ 679,036</u>	<u>\$ 10,848</u>	<u>\$ 689,884</u>
Reserve for Encumbrances, December 31	<u>\$ 150,262</u>	<u>\$ -</u>	<u>\$ 150,262</u>

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

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$ 392,781	\$ -	\$ -	\$ -	\$ -	\$ 392,781
Municipal Income Tax	2,722,221	-	-	-	-	2,722,221
Intergovernmental	448,778	157,348	-	68,299	-	674,425
Special Assessments	-	-	19,404	-	-	19,404
Charges for Services	-	-	-	500	-	500
Fines, Licenses and Permits	170,218	2,075	-	-	-	172,293
Earnings on Investments	88,316	-	-	-	-	88,316
Miscellaneous	61,335	-	-	-	-	61,335
Total Cash Receipts	3,883,649	159,423	19,404	68,799	-	4,131,275
Cash Disbursements:						
Current:						
Security of Persons and Property	1,004,898	-	-	-	-	1,004,898
Public Health Services	24,269	-	-	-	-	24,269
Community Environment	66,356	75,000	-	-	-	141,356
Transportation	684,971	189,653	-	-	-	874,624
General Government	960,725	-	-	-	-	960,725
Debt Service:						
Redemption of Principal	30,986	729,173	25,664	520,000	-	1,305,823
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay	573,260	-	-	106,507	-	679,767
Total Cash Disbursements	3,345,465	993,826	25,664	626,507	-	4,991,462
Total Receipts Over/(Under) Disbursements	538,184	(834,403)	(6,260)	(557,708)	-	(860,187)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Bonds	4,000	630,000	-	-	-	634,000
Sale of Fixed Assets	-	-	-	520,000	-	520,000
Transfers-In	10,000	295,000	-	95,425	-	400,425
Transfers-Out	(373,400)	-	-	-	-	(373,400)
Total Other Financing Receipts / (Disbursements)	(359,400)	925,000	-	615,425	-	1,181,025
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	178,784	90,597	(6,260)	57,717	-	320,838
Fund Cash Balances, January 1	1,335,163	369,394	38,683	511,152	110	2,254,502
Fund Cash Balances, December 31	\$ 1,513,947	\$ 459,991	\$ 32,423	\$ 568,869	\$ 110	\$ 2,575,340
Reserve for Encumbrances, December 31	\$ 132,676	\$ 8,297	\$ -	\$ 9,560	\$ -	\$ 150,533

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

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 1,248,294	\$ -	\$ 1,248,294
Total Operating Cash Receipts	<u>1,248,294</u>	<u>-</u>	<u>1,248,294</u>
Operating Cash Disbursements:			
Personal Services	485,684	-	485,684
Employee Fringe Benefits		-	-
Contractual Services	392,026	-	392,026
Supplies and Materials	197,336	-	197,336
Capital Outlay	278,228	-	278,228
Total Operating Cash Disbursements	<u>1,353,274</u>	<u>-</u>	<u>1,353,274</u>
Operating Income/(Loss)	<u>(104,980)</u>	<u>-</u>	<u>(104,980)</u>
Non-Operating Cash Receipts:			
Fines and Fees Collected	-	176,131	176,131
Total Non-Operating Cash Receipts	<u>-</u>	<u>176,131</u>	<u>176,131</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	55,586	-	55,586
Fines and Fees Disbursed	-	176,500	176,500
Total Non-Operating Cash Disbursements	<u>55,586</u>	<u>176,500</u>	<u>232,086</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(160,566)	(369)	(160,935)
Transfers-In			-
Transfers-Out	<u>(27,025)</u>	<u>-</u>	<u>(27,025)</u>
Net Receipts Over/(Under) Disbursements	(187,591)	(369)	(187,960)
Fund Cash Balances, January 1	<u>960,570</u>	<u>11,214</u>	<u>971,784</u>
Fund Cash Balances, December 31	<u>\$ 772,979</u>	<u>\$ 10,845</u>	<u>\$ 783,824</u>
Reserve for Encumbrances, December 31	<u>\$ 176,098</u>	<u>\$ -</u>	<u>\$ 176,098</u>

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

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Granville, Licking County, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village operates by a charter passed by the voters in 1964. The Village provides water and sewer utilities, park operations, 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. 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.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

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

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Lewis Park Trust Fund – This fund receives donations to the park for maintenance and upkeep of this park.

6. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

6. Enterprise Funds (Continued)

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

7. Fiduciary Funds

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

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 Agency Fund:

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. 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.

3. Encumbrances

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

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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 Deposits and Investments

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$278,941	\$671,584
Total deposits	<u>278,941</u>	<u>671,584</u>
Money Markets	243,394	236,231
Sweep Accounts	2,229,262	2,201,091
U.S. Treasury Notes	<u>250,929</u>	<u>250,258</u>
Total investments	<u>2,723,585</u>	<u>2,687,580</u>
Total deposits and investments	<u>\$3,002,526</u>	<u>\$3,359,164</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation.

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form by, 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.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,775,440	\$3,854,923	\$79,483
Special Revenue	545,875	1,027,411	481,536
Debt Service	30,000	20,038	(9,962)
Capital Projects	519,777	111,925	(407,852)
Enterprise	1,292,000	1,229,060	(62,940)
Total	\$6,163,092	\$6,243,357	\$80,265

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,844,737	\$4,260,171	\$584,566
Special Revenue	466,137	968,134	(501,997)
Debt Service	27,400	26,789	611
Capital Projects	516,560	91,745	424,815
Enterprise	1,697,163	1,473,265	223,898
Total	\$7,551,997	\$6,820,104	\$731,893

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,039,974	\$3,897,649	(\$142,325)
Special Revenue	498,400	1,084,423	586,023
Debt Service	30,000	19,404	(10,596)
Capital Projects	1,039,777	684,224	(355,553)
Enterprise	2,414,777	1,248,294	(1,166,483)
Total	\$8,022,928	\$6,933,994	(\$1,088,934)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,381,685	\$3,851,541	\$530,144
Special Revenue	496,858	1,002,123	(505,265)
Debt Service	27,400	25,664	1,736
Capital Projects	1,049,756	636,067	413,689
Enterprise	1,774,490	1,611,983	162,507
Total	\$7,730,189	\$7,127,378	\$602,811

Contrary to Ohio Law expenditures exceeded appropriations in the Bryn Du Special Revenue Fund in the amounts of \$550,764 and \$628,673 for 2009 and 2008, respectively.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

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

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. 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.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$160,000	6%
Special Assessment Bonds	35,000	6%
Waterworks Bond	16,000	6%
Ohio Public Works Commission Note	325,353	0%
Ohio Water Development Authority Loan	95,524	8%
Total	\$631,877	

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.

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.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OPWC Note	OWDA Loan	Mortgage Revenue Bond	Special Assessment Bonds	Waterworks Bond
2010	30,986	26,353	44,200	7,013	4,960
2011	30,986	26,353	47,188	6,725	4,720
2012	30,986	26,353	47,188	6,438	4,480
2013	30,986	26,353	47,588	6,150	4,240
2014	30,986	26,353	-	5,863	
2015-2019	154,930	-	-	10,863	
2020-2024	15,493	-	-	-	
Total	<u>\$325,353</u>	<u>\$131,765</u>	<u>\$186,164</u>	<u>\$43,050</u>	<u>\$18,400</u>

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

Self Insurance

On August 1, 2008, the Village joined the Central Ohio Health 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.

**VILLAGE OF GRANVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Self Insurance (Continued)

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 operations.

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 the 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 practicable, 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 such 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 in 2009 was \$280,930.

Dental, vision and life insurance benefits are also provided. The family and single rates are not gender and age sensitive, and are the same for each class of employees.

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 Exempt School District. It was established in early 2009.



Mary Taylor, CPA

Auditor of State

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

Village of Granville
Licking County
141 East Broadway
P.O. Box 514
Granville, Ohio 43023

To the Village Council:

We have audited the financial statements of the Village of Granville, Licking County, Ohio, (the Village) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated August 17, 2010, wherein we noted the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. 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 audit 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 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 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 finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 17, 2010.

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



Mary Taylor, CPA
Auditor of State

August 17, 2010

**VILLAGE OF GRANVILLE
LICKING 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 2009-001

Material Weakness - Financial Statement Presentation

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village's financial statement presentation included the following errors:

- Agency Fund activity for Mayor's Court was not included on the financial statements during 2009 (\$156,691 in Fines Collected and \$158,191 Fines Disbursed) or during 2008 (\$176,081 in Fines Collected and \$174,581 Fines Disbursed).
- The Village did not record \$630,000 in Proceeds of Bonds and Debt Principal during FY2008 and \$551,000 in Proceeds of Bonds and Debt Principal during FY2009 in the Special Revenue Fund

The Village has posted the necessary audit adjustments to the financial statements and, where applicable, their accounting records.

Not presenting financial information accurately resulted in the financial statements requiring the above audit adjustments and reclassification entries, including additional time and effort to identify variances and discrepancies. These adjustments were made to the financial statements and the underlying accounting records.

We recommend the Village's Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers and/or yearend financial statements. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Village Fiscal Officer's Handbook and AOS Bulletins. Budgeted receipts and disbursements should be posted to the ledgers that agree with properly filed budgetary documents with the County Auditor. The Village Finance Director should also review AOS Audit Bulletin 97-001 regarding the treatment Bond Anticipation Notes. By exercising accuracy in recording financial activity, the Village could reduce posting errors and increase the reliability of the financial data throughout the year.

VILLAGE OF GRANVILLE
LICKING COUNTY

SCHEDULE OF FINDINGS (Continued)
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-002

Expenditures Exceeding Appropriations – Material Non Compliance

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:

2009

Fund	Appropriations	Actual Expenditures	Variance
Bryn Du Fund	\$175,000	\$725,764	\$(550,764)

2008

Fund	Appropriations	Actual Expenditures	Variance
Bryn Du Fund	\$175,500	\$804,173	\$(628,673)

This occurred due to the fact the Village did not budget for the rollover of the Bond Anticipation Notes as required by Audit Bulletin 97-010.

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

Officials' Response: We received no Official Responses to the above findings



Mary Taylor, CPA
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
NOVEMBER 4, 2010**