

VILLAGE OF HEBRON

AUDIT REPORT

JANUARY 1, 2001 - DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Mayor and Village Council
Village of Hebron
934 West Main Street
P.O. Box 898
Hebron, OH 43025

We have reviewed the Independent Auditor's Report of the Village of Hebron, Licking County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2001 through December 31, 2002. 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 Hebron is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 5, 2003

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**VILLAGE OF HEBRON
LICKING COUNTY
JANUARY 1, 2001 - DECEMBER 31, 2002**

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

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Hebron
934 W. Main Street
Hebron, Ohio 43025

We have audited the accompanying financial statements of the Village of Hebron, Licking County, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village of Hebron'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 in Note 1, the Village of Hebron prepares its financial statements on the cash basis, which is a comprehensive basis of accounting prescribed or permitted by the Auditor of State, 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 combined fund cash balances and reserve for encumbrances of the Village of Hebron, Licking county, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2003, on our consideration of the Village of Hebron's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 28, 2003

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 844,840	\$ 418,976	\$ -	\$ -	\$ 1,263,816
Intergovernmental Receipts	174,988	134,141	-	-	309,129
Charges for Services	-	453,927	-	-	453,927
Fines, Licenses, and Permits	-	20,349	-	-	20,349
Earnings on Investments	62,353	28,612	-	81,368	172,333
Miscellaneous	62,734	-	-	11,672	74,406
Total Cash Receipts	<u>1,144,915</u>	<u>1,056,005</u>	<u>-</u>	<u>93,040</u>	<u>2,293,960</u>
Cash Disbursements					
Current:					
Security of Persons and Property	21,659	1,002,868	-	-	1,024,527
Public Health Services	-	1,247	-	-	1,247
Leisure Time Activities	-	29,909	-	-	29,909
Community Environment	-	119,752	-	-	119,752
Transportation	-	153,609	-	-	153,609
General Government	783,326	-	-	-	783,326
Debt Service	-	-	-	-	-
Capital Outlay	308,222	113,609	-	5,337,961	5,759,792
Total Cash Disbursements	<u>1,113,207</u>	<u>1,420,994</u>	<u>-</u>	<u>5,337,961</u>	<u>7,872,162</u>
Total Receipts Over/(Under) Disbursements	31,708	(364,989)	-	(5,244,921)	(5,578,202)
Other Financing Receipts/(Disbursements)					
Transfer In	-	425,000	-	-	425,000
Transfer Out	(425,000)	-	-	-	(425,000)
Sale of Bonds	-	-	-	10,969,129	10,969,129
Total Other Financing Receipts/(Disbursements)	<u>(425,000)</u>	<u>425,000</u>	<u>-</u>	<u>10,969,129</u>	<u>10,969,129</u>
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ (393,292)	\$ 60,011	\$ -	\$ 5,724,208	\$ 5,390,927
Fund Cash Balances, January 1, 2002, restated	<u>875,112</u>	<u>828,128</u>	<u>-</u>	<u>427,843</u>	<u>2,131,083</u>
Fund Cash Balances, December 31, 2002	<u>\$ 481,820</u>	<u>\$ 888,139</u>	<u>\$ -</u>	<u>\$ 6,152,051</u>	<u>\$ 7,522,010</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 68,951</u>	<u>\$ 29,519</u>	<u>\$ -</u>	<u>\$ 1,354,358</u>	<u>\$ 1,452,828</u>

See notes to financial statements.

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUNDS AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 2,382,562	\$ -	\$ -	\$ 2,382,562
Total Operating Cash Receipts	<u>2,382,562</u>	<u>-</u>	<u>-</u>	<u>\$ 2,382,562</u>
Operating Cash Disbursements:				
Personal Services	417,515	-	-	417,515
Travel Transportation	1,213	-	-	1,213
Contractual Services	488,848	-	-	488,848
Supplies and Materials	227,849	-	-	227,849
Capital Outlay	1,909,676	-	-	1,909,676
Total Operating Cash Disbursements	<u>3,045,101</u>	<u>-</u>	<u>-</u>	<u>3,045,101</u>
Operating Income/(Loss)	<u>(662,539)</u>	<u>-</u>	<u>-</u>	<u>(662,539)</u>
Non-Operating Cash Receipts:				
Miscellaneous	7,745	-	-	7,745
Interest	7,843	-	-	7,843
Other Non-operating Receipts	-	-	25,964	25,964
Total Non-Operating cash Receipts	<u>15,588</u>	<u>-</u>	<u>25,964</u>	<u>41,552</u>
Non-Operating Cash Disbursements:				
Other Non-operating Cash Disbursements	-	-	25,981	25,981
Debt Service	529,409	-	-	529,409
Total Non-Operating cash Disbursements	<u>529,409</u>	<u>-</u>	<u>25,981</u>	<u>555,390</u>
Net Receipts Over/(Under) Disbursements	<u>(1,176,360)</u>	<u>-</u>	<u>(17)</u>	<u>(1,176,377)</u>
Fund Cash Balances, January 1, 2002	<u>3,936,699</u>	<u>4,403</u>	<u>9,647</u>	<u>3,950,749</u>
Fund Cash Balances, December 31, 2002	<u>\$ 2,760,339</u>	<u>\$ 4,403</u>	<u>\$ 9,630</u>	<u>\$ 2,774,372</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 115,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,179</u>

See notes to financial statements.

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 207,310	\$ 947,220	\$ -	\$ -	\$ 1,154,530
Intergovernmental Receipts	173,891	338,161	-	-	512,052
Charges for Services	328,047	17,592	-	-	345,639
Fines, Licenses, and Permits	-	16,297	-	-	16,297
Earnings on Investments	83,390	53,576	-	47,821	184,787
Miscellaneous	15,249	23,439	-	-	38,688
Total Cash Receipts	<u>807,887</u>	<u>1,396,285</u>	<u>-</u>	<u>47,821</u>	<u>2,251,993</u>
Cash Disbursements					
Current:					
Security of Persons and Property	364,766	440,426	-	-	805,192
Public Health Services	2,791	435	-	-	3,226
Leisure Time Activities	-	25,284	-	-	25,284
Community Environment	-	60,424	-	-	60,424
Transportation	-	142,430	-	-	142,430
General Government	216,883	92,984	-	-	309,867
Debt Service	-	-	-	-	-
Capital Outlay	24,410	971,662	-	5,457,398	6,453,470
Total Cash Disbursements	<u>608,850</u>	<u>1,733,645</u>	<u>-</u>	<u>5,457,398</u>	<u>7,799,893</u>
Total Receipts Over/(Under) Disbursements	199,037	(337,360)	-	(5,409,577)	(5,547,900)
Other Financing Receipts/(Disbursements)					
Sale of Bonds	-	-	-	3,333,155	3,333,155
Transfer In	-	200,000	-	-	200,000
Transfer Out	(200,000)	-	-	-	(200,000)
Total Other Financing Receipts/(Disbursements)	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>3,333,155</u>	<u>3,333,155</u>
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ (963)	\$ (137,360)	\$ -	\$ (2,076,422)	\$ (2,214,745)
Fund Cash Balances, January 1, 2001	<u>569,135</u>	<u>1,272,428</u>	<u>-</u>	<u>2,504,265</u>	<u>4,345,828</u>
Fund Cash Balances, December 31, 2001	<u>\$ 568,172</u>	<u>\$ 1,135,068</u>	<u>\$ -</u>	<u>\$ 427,843</u>	<u>\$ 2,131,083</u>
Reserve for Encumbrances, December 31, 2001	<u>\$ 197</u>	<u>\$ 17,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,861</u>

See notes to financial statements.

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUNDS AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 2,053,605	\$ -	\$ -	\$ 2,053,605
Total Operating Cash Receipts	<u>2,053,605</u>	<u>-</u>	<u>-</u>	<u>\$ 2,053,605</u>
Operating Cash Disbursements:				
Personal Services	399,741	-	-	399,741
Travel Transportation	1,874	-	-	1,874
Contractual Services	371,470	-	-	371,470
Supplies and Materials	97,826	-	-	97,826
Capital Outlay	748,794	-	-	748,794
Total Operating Cash Disbursements	<u>1,619,705</u>	<u>-</u>	<u>-</u>	<u>1,619,705</u>
Operating Income/(Loss)	<u>433,900</u>	<u>-</u>	<u>-</u>	<u>433,900</u>
Non-Operating Cash Receipts:				
Miscellaneous	71,295	-	-	71,295
Other Non-operating Receipts	-	-	22,664	22,664
Total Non-Operating cash Receipts	<u>71,295</u>	<u>-</u>	<u>22,664</u>	<u>93,959</u>
Non-Operating Cash Disbursements:				
Other Non-operating Cash Disbursements	-	-	13,017	13,017
Debt Service	409,772	-	-	409,772
Total Non-Operating cash Disbursements	<u>409,772</u>	<u>-</u>	<u>13,017</u>	<u>422,789</u>
Net Receipts Over/(Under) Disbursements	<u>95,423</u>	<u>-</u>	<u>9,647</u>	<u>105,070</u>
Fund Cash Balances, January 1, 2001	<u>3,841,276</u>	<u>4,403</u>	<u>-</u>	<u>3,845,679</u>
Fund Cash Balances, December 31, 2001	<u>\$ 3,936,699</u>	<u>\$ 4,403</u>	<u>\$ 9,647</u>	<u>\$ 3,950,749</u>
Reserve for Encumbrances, December 31, 2001	<u>\$ 23,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,897</u>

See notes to financial statements.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hebron, 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 six-member Council and provides general governmental services, street construction and maintenance, water and sewer utility services, park operations (leisure time activities), and police services.

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).

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchase 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 disbursements, respectively.

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 HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

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.

Income Tax Fund - This fund levies 1% tax on the residents of the Village for the purpose of general municipal operations, maintenance, new equipment, and for capital improvements.

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:

Wastewater Plant Construction Fund - This fund secured bonds for the construction of a wastewater treatment facility.

Municipal Building Construction Fund - This fund receives proceeds of general obligation notes. The proceeds are being used to construct a new municipal building.

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

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayors Court Fund - This fund receives money from citations issued the Village's Police Department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 budgetary activity appears in Note 3.

F. 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.

G. Unpaid vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2002</u>	<u>2001</u>
Demand Deposits	\$ 6,707,652	\$ 5,314,282
Certificates of deposit	295,875	295,875
Total Deposits	<u>7,003,527</u>	<u>5,610,157</u>
STAR Ohio	2,906,393	471,675
Treasury Bonds and Notes	386,462	-
Total deposits and investments	<u>\$10,296,382</u>	<u>\$ 6,081,832</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Treasury Bonds and Notes are held in book-entry form at the Federal Reserve, in the name of the Village's financial institution.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2002 and 2001 is as follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 600,199	\$ 1,144,997	\$ 544,716
Special Revenue	1,160,275	1,481,005	320,730
Capital Projects	25,716	11,062,169	11,036,453
Enterprise	1,946,000	2,398,150	452,150
Fiduciary	-	-	-
Total	<u>\$ 3,732,190</u>	<u>\$16,086,239</u>	<u>\$12,354,049</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,673,576	\$ 1,607,158	\$ 66,418
Special Revenue	1,852,635	1,450,513	402,122
Capital Projects	10,695,260	6,692,319	4,002,941
Enterprise	5,850,716	3,689,689	2,161,027
Fiduciary	-	-	-
Total	<u>\$20,072,187</u>	<u>\$13,439,679</u>	<u>\$ 6,632,508</u>

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 519,027	\$ 807,887	\$ 288,860
Special Revenue	1,683,070	1,596,285	(86,785)
Capital Projects	3,200,000	3,380,976	180,976
Enterprise	2,065,000	2,124,900	59,850
Fiduciary	35	-	(35)
Total	<u>\$ 7,467,182</u>	<u>\$ 7,910,048</u>	<u>\$ 442,866</u>

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 888,163	\$ 809,047	\$ 79,116
Special Revenue	2,905,496	1,751,309	1,154,187
Capital Projects	5,846,100	5,457,398	388,702
Enterprise	5,906,326	2,053,374	3,852,952
Fiduciary	-	-	-
Total	\$15,546,085	\$10,071,128	\$ 5,474,957

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, 2002 and 2001 was as follows:

	2002		2001	
	Principal	%	Principal	%
Ohio Water Development Authority Loans	\$ 692,292	9.0	\$ 953,056	9.0
FmHA Loan	-	5.0	968,700	5.0
Sanitary Sewer Mortgage Revenue Bonds	4,910,000	5.8	-	-
Water Mortgage Revenue Bonds	2,800,000	3.7	-	-
Water System Improvement Note	2,500,000	2.3	-	-
Ohio Public Works Commission Loan	154,778	0.0	166,243	0.0
Temporary Mortgage Revenue Bonds	-	-	4,700,000	5.1
Municipal Building Bond	1,365,000	6.0	-	-
G.O. Bond Anticipation Notes	-	-	1,400,000	5.0
Lease Purchase Agreement	232,758		271,999	
Total	\$12,654,828		\$ 8,459,998	

The Ohio Water Development Authority (OWDA) and Public Works Commission (OPWC) loans relate to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. OWDA and OPWC approved up to \$2,500,000 and \$229,300, respectively in loans to the Village for these projects. The loans will be repaid in semiannual installments of \$169,266 and \$5,733 including interest, over 20 years.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

5. DEBT (Continued)

The Farmers Home Administration (FmHA) loan relates to a water tank improvement project. FmHA approved \$1,018,000 in loans for this project. The loans will be repaid in semiannual installments of approximately \$59,785, over 40 years.

The Village issued Sanitary Sewer System Temporary Mortgage Revenue Bonds and General Obligation Bond Anticipation Notes for the construction of a wastewater treatment plant and municipal building. The debt issues will be retired with utility and general revenues. The bonds are payable on February 1 and May 17, 2001.

On November 15, 2000, the Village entered into a lease purchase agreement with Park National Bank for the purchase of a Pumper/Heavy Duty Rescue vehicle for the fire department. The lease will be paid in yearly payments including interest total %54,881, over seven years.

On January 15, 2002, the Village issued Sanitary Sewer System Mortgage Revenue Bonds were issued to improve the Village's sanitary sewer system.

The Village issued Municipal Building Bonds to finance the completion of the Municipal Building.

On October 2, 2002, the Village issued Water System Improvement Mortgage Revenue Bonds Anticipation Notes, due October 1, 2003, for improving the Village's water system.

On September 12, 2002, the Village issued Water System Mortgage Revenue Bonds, for improving the Village's water system.

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

Year ending December 31	OWDA Loans	OPWC Loan	Sewer Bonds	Municipal Building	Fire Truck Lease
2003	\$ 338,532	\$ 11,465	\$ 373,010	\$ 111,308	\$ 54,881
2004	302,832	11,465	375,480	114,912	54,881
2005	151,419	11,465	377,088	113,262	54,881
2006	-	11,465	377,888	111,512	54,881
2007	-	11,465	383,076	99,662	54,881
Subsequent	-	97,452	7,149,348	1,590,214	109,762
	<u>\$ 792,783</u>	<u>\$ 154,777</u>	<u>\$9,035,890</u>	<u>\$2,140,870</u>	<u>\$ 384,167</u>

Year ending December 31	Water Bonds
2003	\$ 216,160
2004	212,818
2005	215,414
2006	212,824
2007	210,234
Subsequent	4,242,020
	<u>\$ 5,309,470</u>

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

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 2002 and 2001, 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 10.84% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Village belongs to the Ohio government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

8. RECLASSIFICATION OF FUNDS

The Income Tax Fund and Fire Levy 3 Fund were classified as Special Revenue Funds in 2001, while the General Fund was presenting Fire activity which should have been shown in the Fire Levy 2 Fund. These changes were suggested in the audit for the years ended December 31, 2000. As of January 1, 2002, The Income Tax Fund and Fire Levy 3 Fund were presented in the General Fund, while the Fire Levy 2 activity was presented in the Special Revenue Funds. As a result, the following changes were made.

General Fund, December 31, 2001	\$ 568,172
Adjustment	<u>306,940</u>
Restated General Fund, January 1, 2002	<u>\$ 875,112</u>
Special Revenue Fund, December 31, 2001	\$ 1,135,068
Adjustment	<u>(306,940)</u>
Restated Special Revenue Fund, Jan. 1, 2002	<u>\$ 828,128</u>

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

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Mayor and Village Council
Village of Hebron
934 W. Main Street
Hebron, Ohio 43025

We have audited the financial statements of The Village of Hebron as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 28, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Hebron's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2002-1. We have noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Hebron in a separate letter dated February 28, 2003.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Village of Hebron's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Hebron in a separate letter dated February 28, 2003.

This report is intended for the information of the Mayor, Village Administrator, Clerk, Council and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 28, 2003

**VILLAGE OF HEBRON
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

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

FINDING NUMBER 2002-1

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance.

Prior certification was not obtained for 24.4% of the expenditures tested, with the majority occurring in the year 2001.

The Clerk/Treasurer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a specific line item. These blanket certificates should be canceled at the end of each fiscal year and should not exceed \$5,000 or three months in duration. A super blanket purchase order can be completed for amounts over \$5,000 from a specific line item or account, in a specific fund, for most recurring or reasonable predictable operating expenditures.

Also, as an alternative, the Village can issue then and now certificates for expenses up to \$1,000. Then and now certificates allow the Clerk/Treasurer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk/Treasurer without subsequent authorization from Council. However, then and now certificates issued by the Clerk/Treasurer over \$1,000 must be authorized by Council within thirty days after payment.

The Village Administrator and all appropriate department supervisors should sign-off on all purchase orders or requisitions to help ensure compliance and serve as a monitoring review for all Village purchases.



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VILLAGE OF HEBRON

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
MAY 20, 2003**