



Dave Yost • Auditor of State

VILLAGE OF HEBRON
LICKING COUNTY

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Dave Yost • Auditor of State

Village of Hebron
Licking County
934 W. Main Street
P.O. Box 898
Hebron, Ohio 43025

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.

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

Dave Yost
Auditor of State

March 15, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hebron
Licking County
934 W. Main Street
P.O. Box 898
Hebron, Ohio 43025

To the Village Council:

We have audited the accompanying financial statements of Village of Hebron, Licking County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

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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, 2010 and 2009 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, 2010 and 2009, 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 Village of Hebron, Licking County, Ohio, as of December 31, 2010 and 2009, 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 March 15, 2011, 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.



Dave Yost
Auditor of State

March 15, 2011

**VILLAGE OF HEBRON
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, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$168,461	\$358,607	\$0	\$0	\$527,068
Municipal Income Tax	1,200,688	0	0	0	1,200,688
Intergovernmental	132,764	316,644	0	0	449,408
Charges for Services	116,039	612,420	0	0	728,459
Fines, Licenses and Permits	4,293	22,916	0	0	27,209
Earnings on Investments	9,616	0	0	2	9,618
Miscellaneous	16,251	33,585	0	0	49,836
Total Cash Receipts	1,648,112	1,344,172	0	2	2,992,286
Cash Disbursements:					
Current:					
Security of Persons and Property	78,322	1,568,136	0	0	1,646,458
Public Health Services	0	2,591	0	0	2,591
Leisure Time Activities	0	28,631	0	0	28,631
Community Environment	64,454	0	0	0	64,454
Transportation	600	432,796	0	0	433,396
General Government	357,671	1,239	0	0	358,910
Debt Service:	0	0	0	0	0
Redemption of Principal	0	53,049	60,000	0	113,049
Interest and Fiscal Charges	0	8,967	53,783	0	62,750
Capital Outlay	22,897	36,513	0	0	59,410
Total Cash Disbursements	523,944	2,131,922	113,783	0	2,769,649
Total Receipts Over/(Under) Disbursements	1,124,168	(787,750)	(113,783)	2	222,637
Other Financing Receipts / (Disbursements):					
Transfers-In	1,860	668,000	113,783	0	783,643
Transfers-Out	(781,783)	0	0	(1,860)	(783,643)
Other Financing Uses	(36)	0	0	0	(36)
Total Other Financing Receipts / (Disbursements)	(779,959)	668,000	113,783	(1,860)	(36)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	344,209	(119,750)	0	(1,858)	222,601
Fund Cash Balances, January 1	997,623	832,031	77	4,414	1,834,145
Fund Cash Balances, December 31	\$1,341,832	\$712,281	\$77	\$2,556	\$2,056,746
Reserve for Encumbrances, December 31	\$249	\$795	\$0	\$0	\$1,044

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

**VILLAGE OF HEBRON
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 Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,634,441	\$0	\$3,634,441
Fines, Licenses and Permits	10,037	0	10,037
Miscellaneous	122,120	0	122,120
Total Operating Cash Receipts	<u>3,766,598</u>	<u>0</u>	<u>3,766,598</u>
Operating Cash Disbursements:			
Personal Services	453,241	0	453,241
Employee Fringe Benefits	184,060	0	184,060
Contractual Services	334,952	0	334,952
Supplies and Materials	105,354	0	105,354
Total Operating Cash Disbursements	<u>1,077,607</u>	<u>0</u>	<u>1,077,607</u>
Operating Income/(Loss)	<u>2,688,991</u>	<u>0</u>	<u>2,688,991</u>
Non-Operating Cash Receipts:			
Earnings on Investments	1,457	0	1,457
Miscellaneous Receipts	3,962	0	3,962
Fines Collected	0	34,502	34,502
Total Non-Operating Cash Receipts	<u>5,419</u>	<u>34,502</u>	<u>39,921</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	313,709	0	313,709
Interest and Other Fiscal Charges	540,738	0	540,738
Fines Distributed	0	34,757	34,757
Total Non-Operating Cash Disbursements	<u>854,447</u>	<u>34,757</u>	<u>889,204</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,839,963	(255)	1,839,708
Transfers-In	421,461	0	421,461
Transfers-Out	(421,461)	0	(421,461)
Net Receipts Over/(Under) Disbursements	1,839,963	(255)	1,839,708
Fund Cash Balances, January 1	<u>4,220,255</u>	<u>255</u>	<u>4,220,510</u>
Fund Cash Balances, December 31	<u>\$6,060,218</u>	<u>\$0</u>	<u>\$6,060,218</u>
Reserve for Encumbrances, December 31	<u>\$7,219</u>	<u>\$0</u>	<u>\$7,219</u>

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

**VILLAGE OF HEBRON
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**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$168,518	\$340,850	\$0	\$0	\$509,368
Municipal Income Tax	986,566	0	0	0	986,566
Intergovernmental	125,712	370,705	0	0	496,417
Charges for Services	145,740	578,724	0	0	724,464
Fines, Licenses and Permits	16,109	18,685	0	0	34,794
Earnings on Investments	30,539	0	0	2	30,541
Miscellaneous	21,540	7,117	5	0	28,662
	<u>1,494,724</u>	<u>1,316,081</u>	<u>5</u>	<u>2</u>	<u>2,810,812</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	168,203	1,441,318	0	0	1,609,521
Public Health Services	0	352	0	0	352
Leisure Time Activities	0	19,865	0	0	19,865
Community Environment	65,576	0	0	0	65,576
Transportation	720	435,375	0	0	436,095
General Government	318,351	600	0	0	318,951
Debt Service:	0	0	0	0	0
Redemption of Principal	0	69,898	60,000	0	129,898
Interest and Fiscal Charges	0	11,666	56,303	0	67,969
Capital Outlay	56,840	26,040	0	0	82,880
	<u>609,690</u>	<u>2,005,114</u>	<u>116,303</u>	<u>0</u>	<u>2,731,107</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>885,034</u>	<u>(689,033)</u>	<u>(116,298)</u>	<u>2</u>	<u>79,705</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	39,609	708,148	116,303	0	864,060
Transfers-Out	(814,303)	(53,850)	0	0	(868,153)
Other Financing Uses	(37,916)	0	0	0	(37,916)
	<u>(812,610)</u>	<u>654,298</u>	<u>116,303</u>	<u>0</u>	<u>(42,009)</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	72,424	(34,735)	5	2	37,696
Fund Cash Balances, January 1, Restated - See Note 9	925,200	866,766	72	4,412	1,796,450
Fund Cash Balances, December 31	<u><u>\$997,624</u></u>	<u><u>\$832,031</u></u>	<u><u>\$77</u></u>	<u><u>\$4,414</u></u>	<u><u>\$1,834,146</u></u>

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

**VILLAGE OF HEBRON
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 Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$2,348,218	\$0	\$2,348,218
Fines, Licenses and Permits	18,920	0	18,920
Miscellaneous	108,557	0	108,557
	<u>2,475,695</u>	<u>0</u>	<u>2,475,695</u>
Operating Cash Disbursements:			
Personal Services	808,815	0	808,815
Contractual Services	872,948	0	872,948
Supplies and Materials	108,798	0	108,798
	<u>1,790,561</u>	<u>0</u>	<u>1,790,561</u>
Operating Income/(Loss)	<u>685,134</u>	<u>0</u>	<u>685,134</u>
Non-Operating Cash Receipts:			
Earnings on Investments	5,244	0	5,244
Miscellaneous Receipts	8,271	0	8,271
Fines Collected	0	25,226	25,226
	<u>13,515</u>	<u>25,226</u>	<u>38,741</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	311,465	0	311,465
Interest and Other Fiscal Charges	541,831	0	541,831
Fines Distributed	0	27,091	27,091
	<u>853,296</u>	<u>27,091</u>	<u>880,387</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(154,647)	(1,865)	(156,512)
Transfers-In	410,998	0	410,998
Transfers-Out	(406,905)	0	(406,905)
Net Receipts Over/(Under) Disbursements	(150,554)	(1,865)	(152,419)
Fund Cash Balances, January 1, Restated - See Note 9	<u>4,370,809</u>	<u>2,120</u>	<u>4,372,929</u>
Fund Cash Balances, December 31	<u><u>\$4,220,255</u></u>	<u><u>\$255</u></u>	<u><u>\$4,220,510</u></u>

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Hebron, Licking County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police and fire services

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Governmental Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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.

The Village values U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

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

Fire Levy Fund – This fund receives property tax, charges for services and general fund transfers for fire protection services.

Police Levy Fund – This fund receives property tax and general fund transfers for police protection services.

3. Debt Service Funds

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

Municipal Building Bond Fund – This fund receives general fund transfers to pay for bonded debt for the municipal building complex.

4. 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:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. 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.

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

6. Fiduciary Funds

Fiduciary funds include agency 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's agency fund accounts for the Mayor's Court activity.

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.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

	2010	2009
Demand deposits	\$6,752,993	\$4,681,573
Certificates of deposit	295,875	295,875
Other time deposits (savings and NOW accounts)	2,555	2,553
Total deposits	7,051,423	4,980,001
U.S. Treasury Notes	586,585	596,385
Mutual Funds	478,956	478,270
Total investments	1,065,541	1,074,655
Total deposits and investments	\$8,116,964	\$6,054,656

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

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.

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,659,990	\$1,649,972	(\$10,018)
Special Revenue	2,483,810	2,012,172	(471,638)
Debt Service	113,783	113,783	0
Enterprise	4,324,855	4,193,478	(131,377)
Permanent	3	2	(1)
Total	\$8,582,441	\$7,969,407	(\$613,034)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,945,698	\$1,306,012	\$639,686
Special Revenue	2,539,362	2,132,717	406,645
Debt Service	113,783	113,783	0
Enterprise	3,427,463	2,360,734	1,066,729
Permanent	1,860	1,860	0
Total	\$8,028,166	\$5,915,106	\$2,113,060

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,087,086	\$1,534,333	\$447,247
Special Revenue	2,261,267	2,024,229	(237,038)
Debt Service	116,353	116,303	(50)
Enterprise	4,018,542	2,900,208	(1,118,334)
Permanent	1	2	1
Total	\$7,483,249	\$6,575,075	(\$908,174)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,924,972	\$1,461,909	\$463,063
Special Revenue	2,656,283	2,058,964	597,319
Debt Service	116,303	116,303	0
Enterprise	4,795,665	3,050,762	1,744,903
Permanent	0	0	0
Total	\$9,493,223	\$6,687,938	\$2,805,285

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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.

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

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. The municipal income tax rate was increased from 1 percent to 1.5 percent effective July 1, 2009, resulting in a blended rate of 1.25 percent for calendar year 2009.

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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Municipal Building Bond	\$920,000	6.0%
Bond Anticipation Note	\$156,590	5.2%
Sanitary Sewer Mortgage Revenue Bonds	\$3,870,000	5.8%
Water Mortgage Revenue Bond	\$2,260,000	3.7%
Water System Mortgage Revenue Bond	\$2,820,000	5.9%
Ohio Public Works Commission Loan CQ05J	\$507,128	0.0%
Ohio Public Works Commission Loan CQ912	\$63,058	0.0%
Ohio Water Development Authority Loan	12,432,033	0.0%
Total	<u>\$23,028,809</u>	

On August 15, 2001, the Village issued Municipal Building Bonds to finance the completion of the Municipal Building Complex.

On September 25, 2006, the Village issued a Building Bond Anticipation Note, due October 12, 2016 for the purchase of a building to use for the Street Department.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

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

On September 12, 2002, the Village issued Water Mortgage Revenue Bonds, for improving the Village's water system. On September 1, 2004, the Village then issued Water System Improvement Mortgage Revenue Bonds, also for improving the Village's water system.

The Ohio Public Works Commission (OPWC) loan (CQ912) relates to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The OPWC loan (CQ05J) relates to West Main Street paving, curbs, and gutters. Both OPWC loans will be repaid in semiannual installments with no interest.

The Ohio Water Development Authority (OWDA) Loan is for the expansion of the wastewater treatment plant. No debt retirement payments were due on this interest-free loan during either 2010 or 2009.

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

Year ending December 31:	Bond Anticipation Note	OPWC Loans	Mortgage Revenue Bonds	OWDA Loan	General Obligation Bonds
2011	\$31,175	\$42,200	\$847,738	\$357,840	\$111,173
2012	31,174	42,200	849,825	715,680	113,563
2013	31,211	42,200	845,825	715,680	115,670
2014	31,231	42,200	846,025	715,680	112,520
2015	31,251	42,200	840,138	715,680	114,300
2016-2020	26,055	165,140	4,196,875	3,578,400	689,800
2021-2025		165,140	4,182,513	3,578,400	
2026-2030		28,906	1,795,654	2,054,673	
Total	<u>\$182,097</u>	<u>\$570,186</u>	<u>\$14,404,592</u>	<u>\$12,432,033</u>	<u>\$1,257,026</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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, 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, 2010.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009	2008
Assets	\$11,176,186	\$10,471,114
Liabilities	(4,852,485)	(5,286,781)
Members' Equity	\$6,323,701	\$5,184,333

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. Restatement

The Municipal Building Bond, Water System Bond, and Sewer System Bond funds were improperly reported in the Capital Project Fund in the 2008 financial statements. The activity for the Municipal Building Bond activity should have been reported in the Debt Service Fund and the Water and Sewer System Bond activity should have been reported in the Enterprise Fund.

Properly reporting this activity had the following effect on cash balances on January 1, 2009:

	Capital Project Fund	Debt Service Fund	Enterprise Fund
Cash fund balance as of January 1, 2009	\$ 1,089,668	\$ -	\$ 3,281,213
Restatement to properly report Bond funds	<u>\$ (1,089,668)</u>	<u>\$ 72</u>	<u>\$ 1,089,596</u>
Restated cash fund balance as of January 1, 2009	\$ -	\$ 72	\$ 4,370,809

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

Village of Hebron
Licking County
934 W. Main Street
P.O. Box 898
Hebron, Ohio 43025

To the Village Council:

We have audited the financial statements of Village of Hebron, Licking County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 15, 2011. 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 2010-01 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. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 15, 2011.

The Village's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 15, 2011

**VILLAGE OF HEBRON
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-01

Material Weakness

Financial Statement Adjustments

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 always accurately post receipts and disbursements to the Village's accounting system.

The following posting errors were noted for the year ended December 31, 2010:

- Property and local taxes was overstated and intergovernmental receipts were understated \$240,450 in the Special Revenue fund, and
- Earnings on investment was overstated \$115,849 and miscellaneous receipts was overstated \$305,612 and transfers-in was understated \$421,461 in the Enterprise fund, and
- Debt service disbursements were overstated and transfers-out was understated \$421,461 in the Enterprise fund, and
- Agency Fund activity for the Mayor's Court was not included on the financial statements (\$34,502 in receipts and \$34,757 in disbursements).

The following posting errors were noted for the year ended December 31, 2009:

- Property and local taxes was overstated and intergovernmental receipts were understated \$254,826 in the Special Revenue fund, and
- Sale of bonds was overstated and transfers-in was understated \$406,905 in the Enterprise fund, and
- Debt service disbursements were overstated and transfers-out was understated \$406,905 in the Enterprise fund, and
- Agency Fund activity for the Mayor's Court was not included on the financial statements (\$25,226 in receipts and \$27,091 in disbursements), and
- The Village classified the Water System Bond and Sewer System Bond funds as Capital Project funds instead of Enterprise funds to account for debt retirement related to enterprise activity. The Water System and Sewer System Bond funds' activity was adjusted from the Capital Project fund type to the Enterprise fund type (\$406,905 Transfers-in, \$421,849 Expenditures, \$1,074,655 Fund Cash Balance), and
- The Village classified the Municipal Building Bond fund as a Capital Project fund instead of a Debt Service fund to account for debt retirement. The Municipal Building Bond funds' activity was adjusted from the Capital Project fund type to the Enterprise fund type (\$116,303 Transfers-in, \$116,303 Expenditures, \$77 Fund Cash Balance).

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

**VILLAGE OF HEBRON
LICKING COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-01 (Continued)

Material Weakness

Financial Statement Adjustments (Continued)

We recommend the Village's Fiscal Officer take 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 Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year. In addition, the Village should establish financial recording and reporting control procedures, including review of the ledgers and financial reports by management or council.

The Village's financial statements and, where applicable, the accounting records have been adjusted to accurately reflect the proper line item and fund classification.

Officials' Response:

The Fiscal Officer will reclassify receipts in accordance with Audit findings. Also, the Fiscal Officer has made changes to the Budget that will show Debt Service money in as transfers and show that Debt one time. The Village will set up an Agency Fund for Mayor's Court and include Mayor's Court receipts and disbursements in the UAN system.

**VILLAGE OF HEBRON
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Noncompliance of 5705.39 – Appropriations exceeding Estimated Resources	Yes	
2008-002	Noncompliance of 5705.41(B) – Budgetary Expenditures exceeding Appropriations	Yes	

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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 5, 2011