



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF HEBRON
LICKING COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

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OHIO AUDITOR OF STATE
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Village Council
Village of Hebron
934 W. Main St
Hebron, OH 43025

We have reviewed the *Independent Auditor's Report* of the Village of Hebron, Licking County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2019

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VILLAGE OF HEBRON
LICKING COUNTY
Basic Financial Statements
For the Fiscal Years Ended December 31, 2018 and 2017
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INDEPENDENT AUDITOR'S REPORT

Village of Hebron
Licking County
934 W. Main St.
Hebron, Ohio 43025

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Hebron, Licking County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Village of Hebron, Licking County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
May 3, 2019

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Taxes	\$ 163,059	\$ 519,320	\$ -	\$ -	\$ -	\$ 682,379
Municipal Income Tax	2,117,336	-	-	-	-	2,117,336
Intergovernmental	66,857	203,089	-	-	-	269,946
Charges for Services	160,136	768,768	-	-	-	928,904
Fines, Licenses, and Permits	13,153	1,115	-	-	-	14,268
Earnings on Investments	69,134	-	-	-	1	69,135
Miscellaneous	50,603	143,388	-	-	-	193,991
Total Cash Receipts	<u>2,640,278</u>	<u>1,635,680</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>4,275,959</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	92,139	2,167,640	-	-	-	2,259,779
Public Health Services	-	1,256	-	-	-	1,256
Leisure Time Activities	-	37,677	-	-	-	37,677
Community Environment	97,576	-	-	-	-	97,576
Transportation	171	506,510	-	-	-	506,681
General Government	538,768	39,281	-	1,784	-	579,833
Capital Outlay	5,550	74,115	-	-	-	79,665
Debt Service:						
Principal Retirement	-	35,985	190,000	-	-	225,985
Interest and Fiscal Charges	-	-	39,885	-	-	39,885
Total Cash Disbursements	<u>734,204</u>	<u>2,862,464</u>	<u>229,885</u>	<u>1,784</u>	<u>-</u>	<u>3,828,337</u>
Excess of Receipts Over/(Under) Disbursements	1,906,074	(1,226,784)	(229,885)	(1,784)	1	447,622
Other Financing Receipts (Disbursements):						
Transfers-In	-	1,279,834	229,885	-	-	1,509,719
Transfers-Out	(1,389,515)	(95,370)	-	-	-	(1,484,885)
Total Other Financing Receipts(Disbursements)	<u>(1,389,515)</u>	<u>1,184,464</u>	<u>229,885</u>	<u>-</u>	<u>-</u>	<u>24,834</u>
Net Change in Fund Cash Balances	516,559	(42,320)	-	(1,784)	1	472,456
Fund Cash Balances, January 1	2,198,719	1,803,659	558	2,184	2,559	4,007,679
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	2,560	2,560
Restricted	-	1,676,125	-	400	-	1,676,525
Committed	-	85,214	-	-	-	85,214
Assigned	-	-	558	-	-	558
Unassigned	2,715,278	-	-	-	-	2,715,278
Fund Cash Balances, December 31	<u>\$ 2,715,278</u>	<u>\$ 1,761,339</u>	<u>\$ 558</u>	<u>\$ 400</u>	<u>\$ 2,560</u>	<u>\$ 4,480,135</u>

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	3,147,301	\$ -	\$ 3,147,301
Fines, Licenses, and Permits	5,421	32,712	38,133
Earnings on Investments	146,909	-	146,909
Total Operating Cash Receipts	3,299,631	32,712	3,332,343
Operating Cash Disbursements:			
Current:			
Personal Services	452,941	-	452,941
Employee Fringe Benefits	251,243	-	251,243
Contractual Services	370,381	-	370,381
Supplies and Materials	188,746	-	188,746
Other	37	7,878	7,915
Total Operating Cash Disbursements	1,263,348	7,878	1,271,226
Operating Income (Loss)	2,036,283	24,834	2,061,117
Non-Operating Receipts (Disbursements):			
Earnings on Investments	250	-	250
Miscellaneous Receipts	3,664	-	3,664
Capital Outlay	(135,589)	-	(135,589)
Principal Retirement	(1,276,063)	-	(1,276,063)
Interest and Other Fiscal Charges	(122,735)	-	(122,735)
Total Non-Operating Receipts (Disbursements)	(1,530,473)	-	(1,530,473)
Income (Loss) before Transfers	505,810	24,834	530,644
Transfers In	731,000	-	731,000
Transfers Out	(731,000)	(24,834)	(755,834)
Total Transfers	-	(24,834)	(24,834)
Net Change in Fund Cash Balances	505,810	-	505,810
Fund Cash Balances, January 1	11,213,104	-	11,213,104
Fund Cash Balances, December 31	<u>\$ 11,718,914</u>	<u>\$ -</u>	<u>\$ 11,718,914</u>

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

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village was incorporated in 1835 and is a statutory municipal corporation under the laws of the State of Ohio. The Village operates under a Council-Mayor form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance, and other government services. In addition, the Village owns and operates a water treatment and distribution system and a wastewater treatment and collection system. The Village is located on the Licking River in Central Ohio and is the eighth largest municipal corporation in Licking County, based on population.

Public Entity Risk Pools

The Village participates in the Ohio Plan Risk Management (OPRM), public entity risk pool. Note 6 provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund: The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds: These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street, Maintenance (Public Works) Fund – The street maintenance, public works fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the construction, maintenance and repair of the streets within the Village.

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.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

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

Permanent Funds: These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). 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.

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 the cost of providing water services.

Sewer/Wastewater Fund – This fund receives charges for services from residents to cover the cost of providing sewer/wastewater services.

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. The Village of Hebron does not currently have trust 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 Mayor's Court fines collected and then disbursed to other government agencies.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

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 re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

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

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

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

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,144,625	\$2,640,278	\$495,653
Special Revenue	4,028,850	2,915,514	(1,113,336)
Debt Service	229,885	229,885	0
Enterprise	3,891,210	4,034,545	143,335
Permanent	0	1	1
Total	\$10,294,570	\$9,820,223	(\$474,347)

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,946,400	\$2,123,719	\$822,681
Special Revenue	4,151,435	2,957,834	1,193,601
Debt Service	229,885	229,885	0
Enterprise	4,013,456	3,528,735	484,721
Capital Projects	1,784	1,784	0
Total	<u>\$11,342,960</u>	<u>\$8,841,957</u>	<u>\$2,501,003</u>

Note 4 – 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:

	2018
Demand deposits	\$15,158,688
Certificates of deposit	92,875
Other time deposits (savings and NOW accounts)	206,403
Total deposits	<u>15,457,966</u>
U.S. Treasury Notes	741,083
Total investments	<u>741,083</u>
Total deposits and investments	<u>\$16,199,049</u>

Deposits

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

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, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

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 non-business, owner occupant, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residence, 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.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as 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.

OPRM coverage programs 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

17 full-time employees, 3 council members, the mayor, and solicitor of the village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

17 of the Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12% of their wages. 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. The Village has paid all contributions required through December 31, 2018.

Social Security

19 employees of the Village contribute to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2% of the employer contribution to fund these benefits and OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Municipal Building Bond	\$235,000	1%
Fire Department Building Bond	\$1,030,000	3%
Water Refunding Bond	3,500,130	3%
Sewer Refunding Bond	2,281,638	3%
OWDA Sewer Loan	6,755,575	0%
OPWC - West Main Curb/Gutter	261,248	0%
OPWC - Kelly & Westview	86,675	0%
Total	\$14,150,266	

On October 5, 2011, the Village refunded the original Municipal Building Bonds that were issued on August 15, 2001 to continue to finance the completion of the Municipal Building Complex.

On July 11, 2012 the Village issued a Fire Construction Note for the construction on a new firehouse. The note was refinanced with a bond in 2013.

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. On June 5, 2012 the Village combined these two bonds and refunded them into the Water Refunding Bonds to continue improving the Village’s water system.

On January 15, 2002, the Village issued Sanitary Sewer System Mortgage Revenue Bonds to improve the Village’s sanitary sewer system. On June 5, 2012, the Village refunded this bond into the Sewer /Refunding Bonds to continue improving the Village’s sanitary sewer system.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Ohio Water Development Authority (OWDA) Loan is for the expansion of the wastewater treatment plant. This loan will be repaid in semiannual installments with no interest.

The Ohio Public Works Commission (OPWC) loan for West Main Curb/Gutter relates to West Main Street paving, curbs, and gutters. This loan will be repaid in semiannual installments with no interest.

The Ohio Public Works Commission (OPWC) loan for Kelly & Westview relates to paving of Kelly Drive and Westview Drive. This loan will be repaid in annual installments with no interest.

Amortization

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

Year Ending December 31:	Fire Construction	OPWC Loans	OWDA Loan	Municipal Bond	Water Refunding	Sewer Refunding
2019	\$89,070	\$35,985	\$711,062	\$126,515	\$405,284	\$323,734
2020	92,870	35,985	711,062	118,335	404,084	323,434
2021	91,570	35,985	711,062		407,390	322,494
2022	90,026	35,985	711,062		409,671	320,894
2023	93,483	35,985	711,062		406,296	318,894
2024-2028	457,650	149,190	3,555,308		1,836,373	959,013
2029-2033	362,040	333,600			227,150	
2034-2038		7,875				
Total	<u>\$1,276,709</u>	<u>\$670,590</u>	<u>\$7,110,618</u>	<u>\$244,850</u>	<u>\$4,096,248</u>	<u>\$2,568,463</u>

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**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Taxes	\$ 142,451	\$ 438,132	\$ -	\$ -	\$ -	\$ 580,583
Municipal Income Tax	1,867,518	-	-	-	-	1,867,518
Intergovernmental	76,901	423,550	-	-	-	500,451
Charges for Services	151,322	677,906	-	-	-	829,228
Fines, Licenses, and Permits	19,669	1,843	-	-	-	21,512
Earnings on Investments	34,112	-	-	-	-	34,112
Miscellaneous	39,391	323,170	-	-	-	362,561
Total Cash Receipts	<u>2,331,364</u>	<u>1,864,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,195,965</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	344,105	2,217,825	-	-	-	2,561,930
Public Health Services	-	1,086	-	-	-	1,086
Leisure Time Activities	-	25,393	-	-	-	25,393
Community Environment	89,899	-	-	-	-	89,899
Transportation	-	563,805	-	-	-	563,805
General Government	508,340	125,163	-	-	-	633,503
Capital Outlay	5,751	142,660	-	772	-	149,183
Debt Service:						
Principal Retirement	-	35,985	185,000	-	-	220,985
Interest and Fiscal Charges	-	-	43,710	-	-	43,710
Total Cash Disbursements	<u>948,095</u>	<u>3,111,917</u>	<u>228,710</u>	<u>772</u>	<u>-</u>	<u>4,289,494</u>
Excess of Receipts Over/(Under) Disbursements	1,383,269	(1,247,316)	(228,710)	(772)	-	(93,529)
Other Financing Receipts (Disbursements):						
Transfers-In	-	1,329,800	228,710	-	-	1,558,510
Transfers-Out	(1,442,140)	(91,570)	-	-	-	(1,533,710)
Total Other Financing Receipts(Disbursements)	<u>(1,442,140)</u>	<u>1,238,230</u>	<u>228,710</u>	<u>-</u>	<u>-</u>	<u>24,800</u>
Net Change in Fund Cash Balances	(58,871)	(9,086)	-	(772)	-	(68,729)
Fund Cash Balances, January 1	<u>2,257,590</u>	<u>1,812,745</u>	<u>558</u>	<u>2,956</u>	<u>2,559</u>	<u>4,076,408</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	2,559	2,559
Restricted	-	1,688,266	-	2,184	-	1,690,450
Committed	-	115,393	-	-	-	115,393
Assigned	-	-	558	-	-	558
Unassigned	2,198,719	-	-	-	-	2,198,719
Fund Cash Balances, December 31	<u>\$ 2,198,719</u>	<u>\$ 1,803,659</u>	<u>\$ 558</u>	<u>\$ 2,184</u>	<u>\$ 2,559</u>	<u>\$ 4,007,679</u>

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	3,107,605	\$ -	\$ 3,107,605
Fines, Licenses, and Permits	2,019	33,757	35,776
Earnings on Investments	72,486	-	72,486
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	3,182,110	33,757	3,215,867
Operating Cash Disbursements:			
Current:			
Personal Services	439,128	-	439,128
Employee Fringe Benefits	221,227	-	221,227
Contractual Services	386,228	-	386,228
Supplies and Materials	191,547	-	191,547
Other	857	8,957	9,814
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	1,238,987	8,957	1,247,944
Operating Income (Loss)	1,943,123	24,800	1,967,923
Non-Operating Receipts (Disbursements):			
Earnings on Investments	373	-	373
Miscellaneous Receipts	14,004	-	14,004
Capital Outlay	(154,879)	-	(154,879)
Principal Retirement	(1,264,292)	-	(1,264,292)
Interest and Other Fiscal Charges	(174,737)	-	(174,737)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Receipts (Disbursements)	(1,579,531)	-	(1,579,531)
Income (Loss) before Transfers	363,592	24,800	388,392
Transfers In	731,500	-	731,500
Transfers Out	(731,500)	(24,800)	(756,300)
	<hr/>	<hr/>	<hr/>
Total Transfers	-	(24,800)	(24,800)
Net Change in Fund Cash Balances	363,592	-	363,592
Fund Cash Balances, January 1, <i>as restated, see note 10</i>	10,849,512	-	10,849,512
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 11,213,104</u>	<u>\$ -</u>	<u>\$ 11,213,104</u>

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

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village was incorporated in 1835 and is a statutory municipal corporation under the laws of the State of Ohio. The Village operates under a Council-Mayor form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance, and other government services. In addition, the Village owns and operates a water treatment and distribution system and a wastewater treatment and collection system. The Village is located on the Licking River in Central Ohio and is the eighth largest municipal corporation in Licking County, based on population.

Public Entity Risk Pools

The Village participates in the Ohio Plan Risk Management (OPRM), public entity risk pool. Note 6 provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund: The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds: These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street, Maintenance (Public Works) Fund – The street maintenance, public works fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the construction, maintenance and repair of the streets within the Village.

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.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

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

Permanent Funds: These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). 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.

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 the cost of providing water services.

Sewer/Wastewater Fund – This fund receives charges for services from residents to cover the cost of providing sewer/wastewater services.

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. The Village of Hebron does not currently have trust 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 Mayor's Court fines collected and then disbursed to other government agencies.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

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

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

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

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,067,850	\$2,331,364	\$263,514
Special Revenue	4,386,025	3,194,401	(1,191,624)
Debt Service	228,710	228,710	0
Enterprise	3,262,150	3,927,987	665,837
Total	\$9,944,735	\$9,682,462	(\$262,273)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,837,525	\$2,390,235	\$447,290
Special Revenue	4,994,870	3,203,487	1,791,383
Debt Service	228,710	228,710	0
Enterprise	4,151,530	3,564,395	587,135
Capital Project	2,956	772	2,184
Total	\$12,215,591	\$9,387,599	\$2,827,992

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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>2017</u>
Demand deposits	\$14,181,258
Certificates of deposit	92,875
Other time deposits (savings and NOW accounts)	<u>205,567</u>
Total deposits	<u>14,479,700</u>
U.S. Treasury Notes	741,083
Total investments	<u>741,083</u>
Total deposits and investments	<u><u>\$15,220,783</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupant, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

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.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 6 - Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

OPRM coverage programs 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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 2017.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

18 full-time employees, 3 council members, the mayor, and solicitor of the village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

17 of the Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12% of their wages. 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. The Village has paid all contributions required through December 31, 2017.

Social Security

19 employees of the Village contribute to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. OPERS contributes 2 % of benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 % of the employer contribution to fund these benefits, and OP&F contributes 0.5 % to fund these benefits.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Municipal Building Bond	\$360,000	1%
Fire Department Building Bond	\$1,095,000	3%
Water Refunding Bond	\$3,805,132	3%
Sewer Refunding Bond	\$2,541,638	3%
OWDA Sewer Loan	\$7,466,636	0%
OPWC - West Main Curb/Gutter	\$291,983	0%
OPWC - Kelly and Westview	\$91,925	0%
Total	\$15,652,314	

On October 5, 2011, the Village refunded the original Municipal Building Bonds that were issued on August 15, 2001 to continue to finance the completion of the Municipal Building Complex.

On July 11, 2012 the Village issued a Fire Construction Note for the construction on a new firehouse. The note was refinanced with a bond in 2013.

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. On June 5, 2012 the Village combined these two bonds and refunded them into the Water Refunding Bonds to continue improving the Village’s water system.

On January 15, 2002, the Village issued Sanitary Sewer System Mortgage Revenue Bonds to improve the Village’s sanitary sewer system. One June 5, 2012, the Village refunded this bond into the Sewer /Refunding Bonds to continue improving the Village’s sanitary sewer system.

The Ohio Water Development Authority (OWDA) Loan is for the expansion of the wastewater treatment plant. This loan will be repaid in semiannual installments with no interest.

The Ohio Public Works Commission (OPWC) loan for West Main Curb/Gutter relates to West Main Street paving, curbs, and gutters. This loan will be repaid in semiannual installments with no interest.

The Ohio Public Works Commission (OPWC) loan for Kelly & Westview relates to paving of Kelly Drive and Westview Drive. This loan will be repaid in annual installments with no interest.

Village of Hebron, Ohio
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year Ending December 31:	Fire Construction	OPWC Loans	OWDA Loan	Municipal Bond	Sewer Refunding	Water Refunding
2018	80,185	35,985	711,062	134,515	323,934	406,384
2019	89,070	35,985	711,062	126,515	323,734	405,284
2020	92,870	35,985	711,062	118,335	323,434	404,084
2021	91,570	35,985	711,062	0	322,494	407,390
2022	90,026	35,985	711,062	0	320,894	409,671
2023-2027	458,013	166,800	2,133,185	0	1,277,906	2,013,531
2028-2032	455,160	15,750	711,062	0	0	456,288
Total	<u>\$1,356,894</u>	<u>\$362,475</u>	<u>\$6,399,555</u>	<u>\$379,365</u>	<u>\$2,892,395</u>	<u>\$4,502,632</u>

Note 10 – Prior Period Adjustment

Agency Fund Balance, January 1, 2017- As previously stated	\$ 52,510
Error in 2016 Financial Statements	<u>(52,510)</u>
Agency Fund Balance, January 1, 2017- Restated	<u>\$ 0</u>



**INDEPENDENT AUDITOR'S 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 St.
Hebron, Ohio 43025

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Hebron, Licking County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-01 to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

Village's Response to the Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
May 3, 2019

VILLAGE OF HEBRON
LICKING COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-001

Sound Financial Reporting / Significant Deficiency

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting.

Internal controls over the Village's interest receipts entry were not in place and operating effectively.

The following matters were noted during procedures performed:

During testing of cash in the general fund, it was determined that all interest receipts derived from pooled cash were posted only to the general fund. In 2017, \$106,598 in interest was posted all to the general fund. In 2018, \$216,043 in interest was posted all to the general fund.

Improper posting of financial activity could restrict management's ability to make informed decisions and resulted in audit adjustments and resulted in audit adjustments being made which are reflected in the accompanying financial statements.

To assist in the effective management and reporting of interest transactions, the Village should develop procedures to determine that all financial activity is properly posted and routinely reviewed by someone independent

We recommend the Village:

- Review the compliance related to interest receipts for guidance on the correct line item to post.
- Consult UAN guidance for how to post interest receipts to multiple funds when cash is pooled.

Client Response:

In regards to the posting of interest, this is the first mention to the Village of Hebron that interest should be receipted in on pooled cash percentage. The Village will make sure interest is posted accordingly in the future.

OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 9, 2019**