



**VILLAGE OF HEBRON  
LICKING COUNTY**

**SINGLE AUDIT**

**FISCAL YEAR ENDED DECEMBER 31, 1999**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



VILLAGE OF HEBRON  
LICKING COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Members of Council  
Village of Hebron  
Licking County  
P.O. Box 898  
Hebron, Ohio 43025

We have audited the accompanying financial statements of the Village of Hebron, Licking County, Ohio (the Village) as of and for the year ended December 31, 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hebron, Licking County, Ohio as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit for the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**JIM PETRO**  
Auditor of State

May 16, 2001

**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, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$149,359	\$957,230	\$0	\$1,106,589
Intergovernmental Receipts	448,994	125,410	161,886	736,290
Charges for Services	196,853	21,452	0	218,305
Fines, Licenses, and Permits	0	12,479	0	12,479
Miscellaneous	28,379	113,951	0	142,330
<b>Total Cash Receipts</b>	<b>823,585</b>	<b>1,230,522</b>	<b>161,886</b>	<b>2,215,993</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	300,600	258,384	0	558,984
Public Health Services	4,873	653	0	5,526
Leisure Time Activities	0	18,508	0	18,508
Community Environment	0	17,584	0	17,584
Transportation	0	167,097	0	167,097
General Government	474,996	42,775	0	517,771
Debt Service	0	204,163	5,124,435	5,328,598
Capital Outlay	25,919	631,477	699,564	1,356,960
<b>Total Cash Disbursements</b>	<b>806,388</b>	<b>1,340,641</b>	<b>5,823,999</b>	<b>7,971,028</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursement:</b>	<b>17,197</b>	<b>(110,119)</b>	<b>(5,662,113)</b>	<b>(5,755,035)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes	0	202,000	4,900,000	5,102,000
Transfers-In	0	40,000	0	40,000
Transfers-Out	(40,000)	0	0	(40,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(40,000)</b>	<b>242,000</b>	<b>4,900,000</b>	<b>5,102,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(22,803)</b>	<b>131,881</b>	<b>(762,113)</b>	<b>(653,035)</b>
<b>Fund Cash Balances, January 1</b>	<b>331,437</b>	<b>866,167</b>	<b>3,180,680</b>	<b>4,378,284</b>
<b>Fund Cash Balances, December 31</b>	<b><u>\$308,634</u></b>	<b><u>\$998,048</u></b>	<b><u>\$2,418,567</u></b>	<b><u>\$3,725,249</u></b>

*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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,875,565	\$0	\$0	\$1,875,565
Total Operating Cash Receipts	1,875,565	0	0	1,875,565
<b>Operating Cash Disbursements:</b>				
Personal Services	301,937	0	0	301,937
Travel Transportation	313	0	0	313
Contractual Services	194,597	0	0	194,597
Supplies and Materials	116,420	0	0	116,420
Capital Outlay	161,081	0	0	161,081
Total Operating Cash Disbursements	774,348	0	0	774,348
Operating Income/(Loss)	1,101,217	0	0	1,101,217
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous	175,102	113	0	175,215
Other Non-Operating Receipts	0	0	14,936	14,936
Total Non-Operating Cash Receipts	175,102	113	14,936	190,151
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	409,782	0	0	409,782
Other Non-Operating Cash Disbursements	0	0	14,936	14,936
Total Non-Operating Cash Disbursements	409,782	0	14,936	424,718
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	866,537	113	0	866,650
Transfers-In	439,782	0	0	439,782
Transfers-Out	(439,782)	0	0	(439,782)
Net Receipts Over/(Under) Disbursements	866,537	113	0	866,650
Fund Cash Balances, January 1	2,232,876	4,290	0	2,237,166
<b>Fund Cash Balances, December 31</b>	<b>\$3,099,413</b>	<b>\$4,403</b>	<b>\$0</b>	<b>\$3,103,816</b>

*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, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Hebron, Licking County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and provides general governmental services, street construction and maintenance, water and sewer utility services, park operations (leisure time activities), and police services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Special Revenue Funds (Continued)**

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

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

**Capital Projects Funds**

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

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

Issue Two Fund - This fund received Ohio Public Works money for constructing, maintaining, and repairing Village Streets.

**Enterprise Funds**

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

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

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

**Fiduciary Funds**

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

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that the Village budget annually.

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	<u>1999</u>
Demand deposits	\$ 3,916,811
Certificates of deposit	<u>295,875</u>
Total deposits	<u>4,212,686</u>
STAR Ohio	<u>2,616,379</u>
Total deposits and investments	<u><u>\$ 6,829,065</u></u>

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 1999 follows:

**1999 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 456,743	\$ 823,585	\$ 366,842
Special Revenue	1,272,920	1,472,522	199,602
Capital Projects	0	5,061,886	5,061,886
Enterprise	990,000	2,490,449	1,500,449
Fiduciary	<u>50</u>	<u>113</u>	<u>63</u>
Total	<u><u>\$ 2,719,713</u></u>	<u><u>\$ 9,848,555</u></u>	<u><u>\$ 7,128,842</u></u>

**1999 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 973,180	\$ 846,388	\$ 126,792
Special Revenue	1,912,086	1,340,641	571,445
Capital Projects	3,182,726	5,823,999	(2,641,273)
Enterprise	3,178,252	1,623,912	1,554,340
Fiduciary	<u>4,389</u>	<u>0</u>	<u>4,389</u>
Total	<u><u>\$ 9,250,633</u></u>	<u><u>\$ 9,634,940</u></u>	<u><u>\$ (384,307)</u></u>

Expenditures exceeded appropriations in the Capital Projects Funds contrary with Ohio Rev. Code Section 5705.41(B).

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 1,416,513	9%
FmHA Loan	989,900	5%
Ohio Public Works Commission Loan	189,173	0%
Temporary Mortgage Revenue Bonds	<u>4,900,000</u>	4%
Total	<u>\$ 7,495,586</u>	

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

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**5. DEBT (Continued)**

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

Year ending December 31:	OWDA Loans	OPWC Loan	FmHA Loan
2000	\$ 338,532	\$ 11,465	\$ 59,895
2001	338,532	11,465	59,775
2002	338,532	11,465	59,835
2003	338,532	11,465	59,765
2004	302,832	11,465	59,870
Subsequent	<u>151,419</u>	<u>131,848</u>	<u>1,854,480</u>
Total	<u>\$ 1,808,379</u>	<u>\$ 189,173</u>	<u>\$ 2,153,620</u>

The Village issued Sanitary Sewer System Temporary Mortgage Revenue Bonds for the construction of a wastewater treatment plant. This bond is payable on April 15, 2000. The Village will roll-over these temporary bonds each year until long term bonds are issued.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

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

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

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Flood Mitigation Assistant	FEMA - 1998.0001	83.536	<u>\$270,802</u>
Total Federal Emergency Management Agency			<b>270,802</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department Transportation:</i>			
Highway Planning and Construction	G990506	20.205	<u>51,441</u>
Total U.S. Department of Transportation			<u><b>51,441</b></u>
<b>Total</b>			<b><u><u>\$322,243</u></u></b>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES  
DECEMBER 31, 1999**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- MATCHING REQUIREMENTS**

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Members of Council  
Village of Hebron  
Licking County  
P.O. Box 898  
Hebron, Ohio 43025

We have audited the financial statements of the Village of Hebron, Licking County, Ohio (the Village) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30645-001 and 1999-30645-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 16, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-30645-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 16, 2001.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

May 16, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of Council  
Village of Hebron  
Licking County  
P.O. Box 898  
Hebron, Ohio 43025

**Compliance**

We have audited compliance of the Village of Hebron, Licking County, Ohio (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated May 16, 2001.

**Internal Control Over Compliance**

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

May 16, 2001

VILLAGE OF HEBRON  
LICKING COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Flood Mitigation Program - # 83.536
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**VILLAGE OF HEBRON  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 1999  
(Continued)**

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

**FINDING NUMBER 1999-30645-001**

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification of funds was not obtained for forty-three percent (43%) of the expenditures tested.

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

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

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

**FINDING NUMBER 1999-30645-002**

Ohio Rev. Code Section 5705.41 (B) prohibits a Village from making an expenditure unless it has been properly appropriated. At December 31, 1999, the following funds were found to have disbursements in excess of appropriations.

<b>Fund Type / Funds</b>	<b>Total Appropriated</b>	<b>Total Disbursed</b>	<b>Variance</b>
<b>Special Revenue Fund Type:</b>			
State Highway Fund	\$32,197	\$213,130	(\$180,933)
<b>Capital Project Fund Type:</b>			
Wastewater Construction Fund	\$3,180,680	\$5,660,067	(\$2,479,387)

The Clerk/Treasurer should periodically review the appropriation ledger to ensure that expenditures do not exceed appropriations. The Clerk/Treasurer should not approve any disbursements which exceed appropriations. The Clerk/Treasurer should request from the Village Council to determine if they wish to approve the disbursements by amending appropriations.

VILLAGE OF HEBRON  
LICKING COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 1999  
(Continued)

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

**FINDING NUMBER 1999-30645-003**

**Monitoring Fiscal Activity**

The Clerk/Treasurer performs all phases of the accounting process including receipting, disbursing, and reconciling Village funds. One of the basic requirements of good internal control is that there be a segregation of duties so that individuals who have access to or control over the assets of an organization do not have access to or control over the accountability of those assets. The small size of the Village limits the extent of separation of duties, therefore, it is important that Village Council monitor financial activity closely.

Council does receive a monthly list of bills which they approve prior to payment. However, the minutes do not indicate that Council performs a review of budget versus actual reports or other reports that support Village transactions such as a monthly bank reconciliation or an open accounts receivable report from the utility department. The budget versus actual reports summarize approved budget information, as adopted by council, and compares this budget information with actual receipts and expenditures, including encumbrances. Appropriate monitoring would include Council's review of this information to make appropriate inquiries to help determine the continued integrity of the financial statements and as a basis for understanding whether planned receipts and disbursements are being realized.

Departmental managers, Village Administrator and the Finance Committee should be included in the annual budgeting process and the Clerk/Treasurer should assure that the original budget and all amendments approved by Council are filed with the county budget commission.

The Clerk/Treasurer should provide these types of reports on a monthly basis to Council and the Village Administrator. The Village does have a finance committee that would benefit from these reports. Village Council should formally acknowledge in the minutes the receipt and review of the detailed information provided by the Clerk/Treasurer. This information also provides important data necessary to manage the Village and help answer questions such as the following:

- Are current receipts sufficient enough to cover expenditures?
- Are expenditures made in accordance with all applicable laws and requirements?
- Are anticipated receipts being received in a timely manner?
- Are expenditures within budgeted amounts established by Council?
- Are monthly bank reconciliations being performed?
- Are open accounts receivable being follow-up on in a timely manner?

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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  
JUNE 26, 2001**