

**VILLAGE OF HEBRON**

**AUDIT REPORT**

**JANUARY 1, 2003 - DECEMBER 31, 2004**





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Hebron

We have reviewed the Independent Auditor's Report of the Village of Hebron, Licking County, prepared by Wolfe, Wilson, & Phillips, Inc. for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 17, 2005

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**VILLAGE OF HEBRON  
LICKING COUNTY  
JANUARY 1, 2003 - DECEMBER 31, 2004**

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the Village of Hebron, Licking County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of Hebron's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village of Hebron has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Hebron's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Hebron, Licking County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2005, on our consideration of the Village of Hebron's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
April 4, 2005

**VILLAGE OF HEBRON  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 988,267	\$ 504,322	\$ -	\$ 1,492,589
Intergovernmental Receipts	136,207	107,281	-	243,488
Charges for Services	-	679,078	-	679,078
Fines, Licenses, and Permits	-	30,675	-	30,675
Earnings on Investments	45,407	-	237,549	282,956
Miscellaneous	11,487	48,829	2,897	63,213
<b>Total Cash Receipts</b>	<u>1,181,368</u>	<u>1,370,185</u>	<u>240,446</u>	<u>2,791,999</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	24,257	1,190,205	-	1,214,462
Public Health Services	-	1,484	-	1,484
Leisure Time Activities	-	44,164	-	44,164
Community Environment	-	101,967	-	101,967
Transportation	-	243,590	-	243,590
General Government	341,484	-	-	341,484
Debt Service				
Principal	50,000		2,800,000	2,850,000
Interest	64,912		51,800	116,712
Capital Outlay	302,180	138,591	2,520,056	2,960,827
<b>Total Cash Disbursements</b>	<u>782,833</u>	<u>1,720,001</u>	<u>5,371,856</u>	<u>7,874,690</u>
<b>Total Receipts Over/(Under) Disbursements</b>	398,535	(349,816)	(5,131,410)	(5,082,691)
<b>Other Financing Receipts/(Disbursements)</b>				
Sale of Bonds/Notes	325,000	-	3,190,000	3,515,000
Other Financing Uses	-	-	(182,263)	(182,263)
Transfer In	-	773,083	-	773,083
Transfer Out	(923,083)	-	-	(923,083)
<b>Total Other Financing Receipts/(Disbursements)</b>	(598,083)	773,083	3,007,737	3,182,737
<b>Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	\$ (199,548)	\$ 423,267	\$ (2,123,673)	\$ (1,899,954)
<b>Fund Cash Balances, January 1, 2004</b>	<u>810,803</u>	<u>345,582</u>	<u>3,397,659</u>	<u>4,554,044</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u>\$ 611,255</u>	<u>\$ 768,849</u>	<u>\$ 1,273,986</u>	<u>\$ 2,654,090</u>
<b>Reserve for Encumbrances, December 31, 2004</b>	<u>\$ 11,510</u>	<u>\$ 5,912</u>	<u>\$ 251,343</u>	<u>\$ 268,765</u>

See notes to financial statements.

VILLAGE OF HEBRON  
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUNDS AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 2,601,184	\$ -	\$ -	\$ 2,601,184
<b>Total Operating Cash Receipts</b>	<u>2,601,184</u>	<u>-</u>	<u>-</u>	<u>\$ 2,601,184</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	696,770	-	-	696,770
Travel Transportation	153	-	-	153
Contractual Services	116,306	-	-	116,306
Supplies and Materials	140,350	-	-	140,350
Capital Outlay	477,075	-	-	477,075
<b>Total Operating Cash Disbursements</b>	<u>1,430,654</u>	<u>-</u>	<u>-</u>	<u>1,430,654</u>
Operating Income/(Loss)	<u>1,170,530</u>	<u>-</u>	<u>-</u>	<u>1,170,530</u>
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous	3,376	-	-	3,376
Interest	2,546	2	-	2,548
Other Non-operating Receipts	-	-	39,422	39,422
<b>Total Non-Operating cash Receipts</b>	<u>5,922</u>	<u>2</u>	<u>39,422</u>	<u>45,346</u>
<b>Non-Operating Cash Disbursements:</b>				
Other Non-operating Cash Disbursements	-	-	39,395	39,395
Debt Service				
Principal	786,332	-	-	786,332
Interest	411,508	-	-	411,508
<b>Total Non-Operating cash Disbursements</b>	<u>1,197,840</u>	<u>-</u>	<u>39,395</u>	<u>1,237,235</u>
<b>Transfer-In</b>	<u>150,000</u>			
<b>Net Receipts Over/(Under) Disbursements</b>	<u>128,612</u>	<u>2</u>	<u>27</u>	<u>128,641</u>
<b>Fund Cash Balances, January 1, 2004</b>	<u>3,080,020</u>	<u>4,403</u>	<u>8,230</u>	<u>3,092,653</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u>\$ 3,208,632</u>	<u>\$ 4,405</u>	<u>\$ 8,257</u>	<u>\$ 3,221,294</u>
<b>Reserve for Encumbrances, December 31, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.



**VILLAGE OF HEBRON  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$ 965,972	\$ 417,562	\$ -	\$ 1,383,534
Intergovernmental Receipts	108,350	125,327	-	233,677
Charges for Services	-	232,356	-	232,356
Fines, Licenses, and Permits	-	23,708	-	23,708
Earnings on Investments	37,558	-	38,251	75,809
Miscellaneous	81,145	101,117	9,126	191,388
<b>Total Cash Receipts</b>	<u>1,193,025</u>	<u>900,070</u>	<u>47,377</u>	<u>2,140,472</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	25,492	1,165,675	-	1,191,167
Public Health Services	-	2,928	-	2,928
Leisure Time Activities	-	31,454	-	31,454
Community Environment	-	108,959	-	108,959
Transportation	-	226,475	-	226,475
General Government	550,268	-	-	550,268
Debt Service				
Principal	45,000	-	2,500,000	2,545,000
Interest	66,328	-	64,221	130,549
Capital Outlay	261,954	147,136	3,360,586	3,769,676
<b>Total Cash Disbursements</b>	<u>949,042</u>	<u>1,682,627</u>	<u>5,924,807</u>	<u>8,556,476</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>243,983</u>	<u>(782,557)</u>	<u>(5,877,430)</u>	<u>(6,416,004)</u>
<b>Other Financing Receipts/(Disbursements)</b>				
Sale of Bonds/Notes	325,000	-	2,800,000	3,125,000
Other Financing Receipts	-	-	323,038	323,038
Transfer In	-	240,000	-	240,000
Transfer Out	(240,000)	-	-	(240,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>85,000</u>	<u>240,000</u>	<u>3,123,038</u>	<u>3,448,038</u>
<b>Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>\$ 328,983</u>	<u>\$ (542,557)</u>	<u>\$ (2,754,392)</u>	<u>\$ (2,967,966)</u>
<b>Fund Cash Balances, January 1, 2003</b>	<u>481,820</u>	<u>888,139</u>	<u>6,152,051</u>	<u>7,522,010</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u>\$ 810,803</u>	<u>\$ 345,582</u>	<u>\$ 3,397,659</u>	<u>\$ 4,554,044</u>
<b>Reserve for Encumbrances, December 31, 2003</b>	<u>\$ 15,725</u>	<u>\$ 5,475</u>	<u>\$ 1,417,800</u>	<u>\$ 1,439,000</u>

See notes to financial statements.

VILLAGE OF HEBRON  
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUNDS AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 2,359,377	\$ -	\$ -	\$ 2,359,377
<b>Total Operating Cash Receipts</b>	<u>2,359,377</u>	<u>-</u>	<u>-</u>	<u>\$ 2,359,377</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	532,579	-	-	532,579
Travel Transportation	823	-	-	823
Contractual Services	117,068	-	-	117,068
Supplies and Materials	111,002	-	-	111,002
Capital Outlay	402,389	-	-	402,389
<b>Total Operating Cash Disbursements</b>	<u>1,163,861</u>	<u>-</u>	<u>-</u>	<u>1,163,861</u>
Operating Income/(Loss)	<u>1,195,516</u>	<u>-</u>	<u>-</u>	<u>1,195,516</u>
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous	7,259	-	-	7,259
Interest	4,485	-	-	4,485
Other Non-operating Receipts	-	-	28,653	28,653
<b>Total Non-Operating cash Receipts</b>	<u>11,744</u>	<u>-</u>	<u>28,653</u>	<u>40,397</u>
<b>Non-Operating Cash Disbursements:</b>				
Other Non-operating Cash Disbursements	-	-	30,053	30,053
Debt Service				
Principal	433,739	-	-	433,739
Interest	453,840	-	-	453,840
<b>Total Non-Operating cash Disbursements</b>	<u>887,579</u>	<u>-</u>	<u>30,053</u>	<u>917,632</u>
<b>Net Receipts Over/(Under) Disbursements</b>	<u>319,681</u>	<u>-</u>	<u>(1,400)</u>	<u>318,281</u>
<b>Fund Cash Balances, January 1, 2003</b>	<u>2,760,339</u>	<u>4,403</u>	<u>9,630</u>	<u>2,774,372</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u>\$ 3,080,020</u>	<u>\$ 4,403</u>	<u>\$ 8,230</u>	<u>\$ 3,092,653</u>
<b>Reserve for Encumbrances, December 31, 2003</b>	<u>\$ 30,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,216</u>

See notes to financial statements.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**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, purchase of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**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.

**Capital Projects Funds**

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

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

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

**Enterprise Funds**

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

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

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

**Fiduciary Funds**

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

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**E. Budgetary Process**

The Ohio Revised Code requires that the Village budget annually.

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

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

A summary of budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Unpaid vacation and Sick Leave**

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

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

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 4,338,697	\$ 3,958,587
Certificates of deposit	295,875	295,875
Total Deposits	<u>4,634,572</u>	<u>4,254,462</u>
STAR Ohio	254,802	2,411,060
Treasury Bonds and Notes	986,010	981,175
Total deposits and investments	<u>\$ 5,875,384</u>	<u>\$ 7,646,697</u>

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2004 and 2003 is as follows:

**2004 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,112,550	\$ 1,506,368	\$ 393,818
Special Revenue	1,992,698	2,143,268	150,570
Capital Projects	-	3,430,446	3,430,446
Enterprise	2,495,020	2,757,106	262,086
Fiduciary	-	2	2
Total	<u>\$ 5,600,268</u>	<u>\$ 9,837,190</u>	<u>\$ 4,236,922</u>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 971,547	\$ 1,717,426	\$ (745,879)
Special Revenue	2,334,830	1,725,913	608,917
Capital Projects	562,059	5,805,462	(5,243,403)
Enterprise	5,514,607	2,628,494	2,886,113
Fiduciary	4,403	-	4,403
Total	<u>\$ 9,387,446</u>	<u>\$ 11,877,295</u>	<u>\$ (2,489,849)</u>

**2003 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,357,426	\$ 1,518,025	\$ 160,599
Special Revenue	1,011,589	1,140,070	128,481
Capital Projects	2,800,000	3,170,415	370,415
Enterprise	1,995,040	2,371,121	376,081
Fiduciary	15	-	(15)
Total	<u>\$ 7,164,070</u>	<u>\$ 8,199,631</u>	<u>\$ 1,035,561</u>

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,489,494	\$ 1,204,767	\$ 284,727
Special Revenue	2,087,734	1,688,102	399,632
Capital Projects	12,655,848	7,342,607	5,313,241
Enterprise	4,525,019	2,081,656	2,443,363
Fiduciary	4,418	-	4,418
Total	\$20,762,513	\$12,317,132	\$ 8,445,381

Contrary to Ohio Revised Code Section 5705.39, the Village had funds with appropriations greater than estimated resources. In 2004 the funds were the Street Fund and Police Levy Fund. In 2003, the funds were the Street Fund, Police Levy Fund, Water System Improvement Fund and Sanitation Bond Fund.

Contrary to Ohio Revised Code Section 5705.41(B), the Village had funds that expended more than the appropriation authority. In 2004 the funds were the General Fund and Water System Improvement Fund. In 2003 it was the Police Levy Fund.

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2004 and 2003 was as follows:

	2004		2003	
	Principal	%	Principal	%
Ohio Water Development Authority Loans	\$ 140,151	9.0	\$ 410,018	9.0
Sanitary Sewer Mortgage Revenue Bonds	4,685,000	5.8	4,800,000	5.8
Water Mortgage Revenue Bonds	2,705,000	3.7	2,770,000	3.7
Water System Improvement Note	-	-	2,800,000	1.9
Ohio Public Works Commission Loan	131,848	0.0	143,313	0.0
Sewer System Improvement Note	325,000	1.7	325,000	1.7
Municipal Building Bond	1,225,000	6.0	1,275,000	6.0
Water System 2004 Mort Rev Bonds	3,190,000	5.9	-	-
Total	\$12,401,999		\$12,523,331	

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**5. DEBT (Continued)**

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

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

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

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

On September 30, 2003, the Village issued Water System Improvement Mortgage Revenue Bonds Anticipation Notes, due September 29, 2004, for improving the Village's water system.

On September 10, 2003, the Village issued Sewer System Improvement Bond Anticipation Notes, due September 9, 2004. Then on September 9, 2004, the Village issued Sewer System Improvement Bond Anticipation Notes, due September 8, 2005, for improving the Village's sewer system.

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

**LEASE PURCHASE AGREEMENTS**

On November 15, 2000, the Village entered into a lease purchase agreement with Park National Bank for the purchase of a Pumper/Heavy Duty Rescue vehicle for the fire department. The lease will be paid in yearly payments including interest total \$54,881, over seven years. The balance as of December 31, 2004 is \$147,378.

On November 10, 2004, the Village entered into a lease purchase agreement with Park National Bank for the purchase of a 2004 Case Backhoe. The lease will be paid in yearly payments including interest total \$16,747, over three years. The balance as of December 31, 2004 is \$46,965.



**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**5. DEBT (Continued)**

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

Year ending December 31	OWDA Loans	OPWC Loan	Sewer Bonds	Municipal Building	Leases
2005	\$ 151,419	\$ 11,465	\$ 377,088	\$ 113,262	\$ 71,628
2006	-	11,465	377,888	111,512	71,628
2007	-	11,465	383,076	99,662	71,628
2008	-	11,465	382,405	103,102	-
2009	-	11,465	381,245	116,303	-
Subsequent	-	74,523	6,385,699	1,370,805	-
	<u>\$ 151,419</u>	<u>\$ 131,848</u>	<u>\$8,287,401</u>	<u>\$1,914,646</u>	<u>\$ 214,884</u>

Year ending December 31	Water Bonds
2005	\$ 467,398
2006	466,530
2007	460,122
2008	463,713
2009	466,319
Subsequent	8,861,849
	<u>\$11,185,931</u>

The debt balance as of December 31, 2002 was overstated by \$45,000 and should have been reported as \$12,714,591 and it included lease purchase agreements, which the debt schedule above does not.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PFDPF contributed 10% of their wages to PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 10.84% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**7. RISK MANAGEMENT**

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

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

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

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

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

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

We have audited the financial statements of The Village of Hebron as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 4, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financing Reporting**

In planning and performing our audit, we considered the Village of Hebron's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Hebron in a separate letter dated April 4, 2005.

**Compliance**

As part of obtaining reasonable assurance about whether the Village of Hebron's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, We noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Hebron in a separate letter dated April 4, 2005.

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

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
April 4, 2005

**VILLAGE OF HEBRON  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-1	ORC 5705.41(D) Invoice dated prior to fiscal certification	No	Partially Corrected. Minimal compared to 2002 and 2001. Included in management letter for this audit period.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF HEBRON**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**

**MAY 31, 2005**