



Dave Yost • Auditor of State



VILLAGE OF HEBRON  
LICKING COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Hebron, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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 of Hebron, Licking County, Ohio, as of December 31, 2012 and 2011, or changes in financial position 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 combined cash balances of the Village of Hebron, Licking County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village of Hebron, Licking County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 18, 2013

**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, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$ 118,169	\$ 336,149	\$ -	\$ -	\$ -	\$ 454,318
Municipal Income Tax	1,392,477	-	-	-	-	1,392,477
Intergovernmental	148,676	386,440	-	-	-	535,116
Charges for Services	154,348	760,025	-	-	-	914,373
Fines, Licenses and Permits	15,198	34,057	-	-	-	49,255
Earnings on Investments	13,534	-	-	-	1	13,535
Miscellaneous	9,368	13,224	-	-	-	22,592
<i>Total Cash Receipts</i>	<u>1,851,770</u>	<u>1,529,895</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>3,381,666</u>
<b>Cash Disbursements</b>						
Current:						
Security of Persons and Property	110,979	1,742,311	-	-	-	1,853,290
Public Health Services	-	2,707	-	-	-	2,707
Leisure Time Activities	-	28,504	-	-	-	28,504
Community Environment	72,556	-	-	-	-	72,556
Transportation	462	351,629	-	-	-	352,091
General Government	362,386	10,101	-	-	-	372,487
Capital Outlay	6,194	369,423	-	949,554	-	1,325,171
Debt Service:						
Principal Retirement	-	57,116	75,000	-	-	132,116
Interest and Fiscal Charges	-	2,465	20,609	-	-	23,074
<i>Total Cash Disbursements</i>	<u>552,577</u>	<u>2,564,256</u>	<u>95,609</u>	<u>949,554</u>	<u>-</u>	<u>4,161,996</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,299,193</u>	<u>(1,034,361)</u>	<u>(95,609)</u>	<u>(949,554)</u>	<u>1</u>	<u>(780,330)</u>
<b>Other Financing Receipts (Disbursements)</b>						
Sale of Notes	-	-	-	1,333,984	-	1,333,984
Transfers In	-	970,000	96,000	-	-	1,066,000
Transfers Out	(1,066,000)	-	-	-	-	(1,066,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,066,000)</u>	<u>970,000</u>	<u>96,000</u>	<u>1,333,984</u>	<u>-</u>	<u>1,333,984</u>
<i>Net Change in Fund Cash Balances</i>	233,193	(64,361)	391	384,430	1	553,654
<i>Fund Cash Balances, January 1</i>	<u>1,162,528</u>	<u>929,639</u>	<u>3,883</u>	<u>-</u>	<u>2,557</u>	<u>2,098,607</u>
<b>Fund Cash Balances, December 31</b>						
Nonspendable	-	-	-	-	2,500	2,500
Restricted	-	865,278	4,274	384,430	58	1,254,040
Committed	18,173	-	-	-	-	18,173
Unassigned (Deficit)	1,377,548	-	-	-	-	1,377,548
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,395,721</u>	<u>\$ 865,278</u>	<u>\$ 4,274</u>	<u>\$ 384,430</u>	<u>\$ 2,558</u>	<u>\$ 2,652,261</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, 2012**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 3,832,528	\$ -	\$ 3,832,528
Fines, Licenses and Permits	2,687	-	2,687
<i>Total Operating Cash Receipts</i>	<u>3,835,215</u>	<u>-</u>	<u>3,835,215</u>
<b>Operating Cash Disbursements</b>			
Personal Services	421,698	-	421,698
Employee Fringe Benefits	177,140	-	177,140
Contractual Services	324,606	-	324,606
Supplies and Materials	181,779	-	181,779
<i>Total Operating Cash Disbursements</i>	<u>1,105,223</u>	<u>-</u>	<u>1,105,223</u>
<i>Operating Income</i>	<u>2,729,992</u>	<u>-</u>	<u>2,729,992</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments (proprietary funds only)	2,563	-	2,563
Sale of Bonds	9,420,000	-	9,420,000
Issuance Costs on Debt	(129,769)	-	(129,769)
Miscellaneous Receipts	599	-	599
Capital Outlay	(13,702)	-	(13,702)
Principal Retirement	(6,992,145)	-	(6,992,145)
Interest and Other Fiscal Charges	(823,808)	-	(823,808)
Discount on Debt	(174,585)	-	(174,585)
Fines Collected	-	46,184	46,184
Fines Disbursed	-	(49,614)	(49,614)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>1,289,153</u>	<u>(3,430)</u>	<u>1,285,723</u>
<i>Income (Loss) before Transfers</i>	4,019,145	(3,430)	4,015,715
Transfers In	1,068,713	-	1,068,713
Transfers Out	(1,068,713)	-	(1,068,713)
<i>Net Change in Fund Cash Balances</i>	4,019,145	(3,430)	4,015,715
<i>Fund Cash Balances, January 1</i>	<u>7,518,549</u>	<u>3,430</u>	<u>7,521,979</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,537,694</u>	<u>\$ -</u>	<u>\$ 11,537,694</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 106,319	\$ 351,552	\$ -	\$ -	\$ 457,871
Municipal Income Tax	1,272,887	-	-	-	1,272,887
Intergovernmental	210,731	386,644	-	-	597,375
Charges for Services	102,592	559,434	-	-	662,026
Fines, Licenses and Permits	6,659	27,581	-	-	34,240
Earnings on Investments	11,347	-	-	1	11,348
Miscellaneous	13,647	16,564	-	-	30,211
<i>Total Cash Receipts</i>	<u>1,724,182</u>	<u>1,341,775</u>	<u>-</u>	<u>1</u>	<u>3,065,958</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	77,328	1,607,916	-	-	1,685,244
Public Health Services	-	711	-	-	711
Leisure Time Activities	-	27,616	-	-	27,616
Community Environment	67,950	-	-	-	67,950
Transportation	1,032	493,031	-	-	494,063
General Government	369,969	8,613	-	-	378,582
Capital Outlay	4,707	192,920	-	-	197,627
Debt Service:					
Principal Retirement	-	54,596	920,000	-	974,596
Interest and Fiscal Charges	-	7,014	59,793	-	66,807
<i>Total Cash Disbursements</i>	<u>520,986</u>	<u>2,392,417</u>	<u>979,793</u>	<u>-</u>	<u>3,893,196</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,203,196</u>	<u>(1,050,642)</u>	<u>(979,793)</u>	<u>1</u>	<u>(827,238)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Bonds	-	-	869,099	-	869,099
Transfers In	-	1,268,000	114,500	-	1,382,500
Transfers Out	(1,382,500)	-	-	-	(1,382,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,382,500)</u>	<u>1,268,000</u>	<u>983,599</u>	<u>-</u>	<u>869,099</u>
<i>Net Change in Fund Cash Balances</i>	<u>(179,304)</u>	<u>217,358</u>	<u>3,806</u>	<u>1</u>	<u>41,861</u>
<i>Fund Cash Balances, January 1</i>	<u>1,341,832</u>	<u>712,281</u>	<u>77</u>	<u>2,556</u>	<u>2,056,746</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	2,500	2,500
Restricted	-	929,639	3,883	57	933,579
Committed	2,250	-	-	-	2,250
Unassigned	1,160,278	-	-	-	1,160,278
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,162,528</u>	<u>\$ 929,639</u>	<u>\$ 3,883</u>	<u>\$ 2,557</u>	<u>\$ 2,098,607</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, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 4,169,859	\$ -	\$ 4,169,859
Fines, Licenses and Permits	1,355	-	1,355
<i>Total Operating Cash Receipts</i>	<u>4,171,214</u>	<u>-</u>	<u>4,171,214</u>
<b>Operating Cash Disbursements</b>			
Personal Services	452,619	-	452,619
Employee Fringe Benefits	198,657	-	198,657
Contractual Services	305,627	-	305,627
Supplies and Materials	162,318	-	162,318
<i>Total Operating Cash Disbursements</i>	<u>1,119,221</u>	<u>-</u>	<u>1,119,221</u>
<i>Operating Income</i>	<u>3,051,993</u>	<u>-</u>	<u>3,051,993</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments (proprietary funds only)	791	-	791
Miscellaneous Receipts	337	-	337
Capital Outlay	(19,907)	-	(19,907)
Principal Retirement	(1,057,145)	-	(1,057,145)
Interest and Other Fiscal Charges	(517,738)	-	(517,738)
Fines Collected	-	44,290	44,290
Fines Disbursed	-	(40,860)	(40,860)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,593,662)</u>	<u>3,430</u>	<u>(1,590,232)</u>
<i>Income before Transfers</i>	1,458,331	3,430	1,461,761
Transfers In	848,054	-	848,054
Transfers Out	(848,054)	-	(848,054)
<i>Net Change in Fund Cash Balances</i>	1,458,331	3,430	1,461,761
<i>Fund Cash Balances, January 1</i>	<u>6,060,218</u>	<u>-</u>	<u>6,060,218</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,518,549</u>	<u>\$ 3,430</u>	<u>\$ 7,521,979</u>

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

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**Public Entity Risk Pool:**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

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

**3. Debt Service Funds**

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

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

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Fire Department Addition/Construction Fund – This fund was established to account for the proceeds and expenditures for the construction of the new firehouse.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**5. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

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

**6. 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 System Improvement Fund - This fund accounts for the debt proceeds and expenditures for the water system improvement project.

Sewer Interceptor Fund - This fund accounts for the debt proceeds and expenditures for the sewer interceptor project.

**7. Fiduciary Funds**

Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court activity.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**3. 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.

**4. 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.

**5. 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.

**G. Property, Plant, and Equipment**

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

**H. 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.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2012	2011
Demand deposits	\$10,184,385	\$8,372,913
Certificates of deposit	296,792	295,881
Other time deposits (savings and NOW accounts)	2,558	2,557
Total deposits	10,483,735	8,671,351
U.S. Treasury Notes	3,706,220	470,279
Mutual Funds	0	478,956
Total investments	3,706,220	949,235
Total deposits and investments	\$14,189,955	\$9,620,586

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

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form by, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,069,287	\$1,851,770	(\$217,517)
Special Revenue	2,630,067	2,499,895	(130,172)
Debt Service	96,000	96,000	0
Capital Projects	1,640,718	1,333,984	(306,734)
Enterprise	5,422,441	14,327,090	8,904,649
Permanent	5	1	(4)
Total	\$11,858,518	\$20,108,740	\$8,250,222

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,521,099	\$1,636,750	\$884,349
Special Revenue	3,106,931	2,580,432	526,499
Debt Service	96,000	95,609	391
Capital Projects	1,637,958	1,270,396	367,562
Enterprise	11,579,286	10,307,945	1,271,341
Permanent	0	0	0
Total	<u>\$18,941,274</u>	<u>\$15,891,132</u>	<u>\$3,050,142</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,646,400	\$1,724,182	\$77,782
Special Revenue	3,185,426	2,609,775	(575,651)
Debt Service	114,500	983,599	869,099
Enterprise	5,004,638	5,020,396	15,758
Permanent	5	1	(4)
Total	<u>\$9,950,969</u>	<u>\$10,337,953</u>	<u>\$386,984</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,545,495	\$1,905,736	\$639,759
Special Revenue	2,912,942	2,405,172	507,770
Debt Service	114,500	979,793	(865,293)
Enterprise	4,580,637	3,562,065	1,018,572
Permanent	0	0	0
Total	<u>\$10,153,574</u>	<u>\$8,852,766</u>	<u>\$1,300,808</u>

Also, Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Municipal Building Bond fund by \$865,293 for the year ended December 31, 2011.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Property Tax**

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

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

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Bond Anticipation Note	\$106,357	5%
OPWC Loan CQ05J	\$445,658	0%
Refunding Municipal Building Bond	\$820,000	1%
Fire Construction Note	\$1,335,000	3%
Ohio Water Development Authority Loan	\$11,000,673	0%
OPWC Loan CQ912	\$40,128	0%
Water Refunding Bonds	\$5,250,000	3%
Sewer Refunding Bonds	3,790,000	3%
Total	<u>\$22,787,816</u>	

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Debt (Continued)**

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

The Ohio Public Works Commission (OPWC) loan (CQ05J) relates to West Main Street paving, curbs, and gutters. This loan will be repaid in semiannual installments with no interest.

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 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 OPWC loan (CQ912) relates to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. This loan will be repaid in semiannual installments with no interest.

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.

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

Year ending December 31:	Building Bond Anticipation Note	OPWC Loans	Refunding Municipal Bonds	Fire Construction Note	OWDA	Water Refunding Bonds	Sewer Refunding Bonds
2013	28,846	42,200	102,085	1,352,244	715,860	410,699	329,559
2014	28,846	42,200	96,235	0	715,860	411,424	329,659
2015	28,846	42,200	100,115	0	715,860	402,074	325,909
2016	28,846	42,200	98,925	0	715,860	398,084	322,784
2017	0	30,735	137,140	0	715,860	407,384	324,034
2018-2022	0	153,675	0	0	3,578,400	2,032,813	1,614,489
2023-2027	0	153,675	0	0	3,578,400	2,013,531	1,277,906
2028-2032	0	0	0	0	623,313	456,288	0
Total	<u>\$115,384</u>	<u>\$506,885</u>	<u>\$534,500</u>	<u>\$1,352,244</u>	<u>\$11,359,413</u>	<u>\$6,532,297</u>	<u>\$4,524,340</u>

**VILLAGE OF HEBRON  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Retirement Systems**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2012 and 2011, 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, 2012.

**8. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio 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, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

VILLAGE OF HEBRON  
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

8. Risk Management (Continued)

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

9. Subsequent Events

On January 16, 2013, the Village converted the note for the construction of the new fire house into a bond in the amount of \$1,390,000. The first payment on this bond is not due until June of 2013.

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# Dave Yost • Auditor of State

## 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 Street  
P.O. Box 898  
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 Village of Hebron, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 18, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-03 described in the accompanying schedule of findings 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. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 18, 2013

**VILLAGE OF HEBRON  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2012-01**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the members of Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were noted for the year ended December 31, 2012:

- To increase Special Revenue Fund intergovernmental receipts and capital outlay expenditures for Ohio Public Works Commission (OPWC) grant received that was not included on the financial statements in the amount of \$103,019.
- Reclassification to reduce Miscellaneous Receipts and increase Charges for Services by \$117,981 in the Enterprise Fund for pre-treatment fees.
- Reclassification to reduce Principal Retirement Expenditures \$202,938, increase Interest and Other Fiscal Charges Expense \$73,169 and increase Issuance Costs on Debt by \$129,769 in the Enterprise Fund.

The following adjustment was made for the year ended December 31, 2011:

- Reclassification to reduce Miscellaneous Receipts and increase Charges for Services by \$116,708 in the Enterprise Fund for pre-treatment fees.

These adjustments have been posted to the Village's accounting records and financial statements, where applicable.

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

**Officials' Response:** The reclassification in the Enterprise Fund for pretreatment has been corrected for FY2013. Also, we have noted the other adjustments and will take every effort to be alert of these issues in the future.

**VILLAGE OF HEBRON  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-02**

**Noncompliance**

**Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2011, expenditures exceeded appropriations in the Debt Service Fund by \$865,293.

We recommend the Fiscal Officer request Council to approve increased expenditure levels by amending estimated resources and increasing appropriations when necessary. The Fiscal Officer should not process expenditures that exceed the appropriation limits established by Council. In addition, the Fiscal Officer should ensure all appropriation amendments are updated in the accounting system.

**Officials' Response:** We have noted this issue for 2011. We did not have any of those issues for 2012 and will be sure to keep these in mind for the future.

VILLAGE OF HEBRON  
LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Financial Statement Adjustments	No	Partially Corrected; Reissued as Finding 2012-01

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# Dave Yost • Auditor of State

**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 23, 2013**