



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF HEBRON
LICKING COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015
Fiscal Years Audited Under GAGAS: 2016 and 2015



Dave Yost • Auditor of State

Village Council
Village of Hebron
934 West Main Street
Hebron, Ohio 43025

We have reviewed the *Independent Auditor's Report* of the Village of Hebron, Licking County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Hebron is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 26, 2017

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Village of Hebron
Licking County, Ohio
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Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balance, receipts, and disbursements by fund type and related notes of the Village of Hebron, Licking County, (the Village), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, 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, as of December 31, 2016 and 2015, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, on our consideration of the Village's internal control over financial reporting and on 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 Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Columbus, Ohio
March 24, 2017

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, 2016**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$ 157,032	\$ 481,156	\$ -	\$ -	\$ -	\$ 638,188
Municipal Income Tax	1,866,019	-	-	-	-	1,866,019
Intergovernmental	84,831	496,409	-	-	-	581,240
Charges for Services	139,313	593,714	-	-	-	733,027
Fines, Licenses, and Permits	20,870	18,429	-	-	-	39,299
Earnings on Investments	46,417	-	-	-	1	46,418
Miscellaneous	4,438	186,502	-	-	-	190,940
Total Cash Receipts	<u>2,318,920</u>	<u>1,776,210</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>4,095,131</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	81,127	1,997,208	-	-	-	2,078,335
Public Health Service	-	2,917	-	-	-	2,917
Leisure Time Activities	-	33,212	-	-	-	33,212
Community Environment	82,633	-	-	-	-	82,633
Transportation	448	491,725	-	-	-	492,173
General Government	401,920	9,890	-	-	-	411,810
Capital Outlay	125,650	58,482	-	-	-	184,132
Debt Service:						
Redemption of Principal	-	91,700	145,000	-	-	236,700
Interest and Fiscal Charges	-	2,098	46,275	-	-	48,373
Total Cash Disbursements	<u>691,778</u>	<u>2,687,232</u>	<u>191,275</u>	<u>-</u>	<u>-</u>	<u>3,570,285</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,627,142	(911,022)	(191,275)	-	1	524,846
Other Financing Receipts (Disbursements):						
Transfers-In	-	1,494,000	186,275	-	-	1,680,275
Transfers-Out	(1,592,925)	(87,350)	-	-	-	(1,680,275)
Total Other Financing Receipts (Disbursements)	<u>(1,592,925)</u>	<u>1,406,650</u>	<u>186,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	34,217	495,628	(5,000)	-	1	524,846
Fund Cash Balances, January 1	<u>2,223,373</u>	<u>1,317,117</u>	<u>5,558</u>	<u>2,956</u>	<u>2,558</u>	<u>3,551,562</u>
Nonspendable	-	-	-	-	2,559	2,559
Restricted	-	1,696,865	-	2,956	-	1,699,821
Committed	-	115,880	-	-	-	115,880
Assigned	-	-	558	-	-	558
Unassigned	<u>2,257,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,257,590</u>
Fund Cash Balances, December 31	<u>\$ 2,257,590</u>	<u>\$ 1,812,745</u>	<u>\$ 558</u>	<u>\$ 2,956</u>	<u>\$ 2,559</u>	<u>\$ 4,076,408</u>

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, 2016**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 3,379,286	\$ -	\$ 3,379,286
Fines, Licenses & Permits	41,493	-	41,493
 Total Operating Cash Receipts	 <u>3,420,779</u>	 <u>-</u>	 <u>3,420,779</u>
Operating Cash Disbursements			
Personal services	425,375	-	425,375
Fringe benefits	177,137	-	177,137
Contractual services	398,027	-	398,027
Supplies and Materials	219,358	-	219,358
Other	5,335	-	5,335
 Total Operating Cash Disbursements	 <u>1,225,232</u>	 <u>-</u>	 <u>1,225,232</u>
<i>Operating Income (Loss)</i>	2,195,547	-	2,195,547
Non-Operating Receipts (Disbursements)			
Earnings on Investments	162	-	162
Miscellaneous Receipts	2,668	-	2,668
Capital Outlay	(258,983)	-	(258,983)
Debt Service:			
Principal	(1,219,884)	-	(1,219,884)
Interest	(186,193)	-	(186,193)
Other Non-operating Receipts	-	26,255	26,255
Other Non-operating Disbursements	-	26,255	26,255
 Total Non-Operating Receipts (Disbursements)	 <u>(1,662,230)</u>	 <u>52,510</u>	 <u>(1,609,720)</u>
<i>Income (Loss) Before Transfers</i>	533,317	52,510	585,827
Transfers			
Transfers-In	720,878	-	720,878
Transfers-Out	(720,878)	-	(720,878)
 Total Transfers	 <u>-</u>	 <u>-</u>	 <u>-</u>
<i>Net Change in Fund Cash Balances</i>	533,317	52,510	585,827
Fund Cash Balances, January 1 - As Restated	<u>10,316,195</u>	<u>-</u>	<u>10,316,195</u>
Fund Cash Balances, December 31	<u>\$ 10,849,512</u>	<u>\$ 52,510</u>	<u>\$ 10,902,022</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, 2015**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$ 166,907	\$ 481,279	\$ -	\$ -	\$ -	\$ 648,186
Municipal Income Tax	1,773,096	-	-	-	-	1,773,096
Intergovernmental	92,699	568,056	-	-	-	660,755
Special Assessments	-	49,163	-	-	-	49,163
Charges for Services	145,314	649,016	-	-	-	794,330
Fines, Licenses, and Permits	17,077	22,643	-	-	-	39,720
Earnings on Investments	12,240	-	-	-	-	12,240
Miscellaneous	5,452	44,647	-	-	-	50,099
Total Cash Receipts	<u>2,212,785</u>	<u>1,814,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,027,589</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	49,311	1,965,904	-	-	-	2,015,215
Public Health Service	-	524	-	-	-	524
Leisure Time Activities	-	30,636	-	-	-	30,636
Community Environment	84,681	-	-	-	-	84,681
Transportation	-	685,559	-	-	-	685,559
General Government	391,147	11,075	-	-	-	402,222
Capital Outlay	51,029	180,739	-	-	-	231,768
Debt Service:						
Redemption of Principal	-	60,925	145,000	-	-	205,925
Interest and Fiscal Charges	-	1,281	48,245	-	-	49,526
Total Cash Disbursements	<u>576,168</u>	<u>2,936,643</u>	<u>193,245</u>	<u>-</u>	<u>-</u>	<u>3,706,056</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,636,617	(1,121,839)	(193,245)	-	-	321,533
Other Financing Receipts (Disbursements):						
Sale of Notes	-	105,000	-	-	-	105,000
Transfers-In	-	1,390,000	193,245	-	-	1,583,245
Transfers-Out	(1,490,115)	(93,130)	-	-	-	(1,583,245)
Total Other Financing Receipts (Disbursements)	<u>(1,490,115)</u>	<u>1,401,870</u>	<u>193,245</u>	<u>-</u>	<u>-</u>	<u>105,000</u>
<i>Net Change in Fund Cash Balances</i>	146,502	280,031	-	-	-	426,533
Fund Cash Balances, January 1	<u>2,076,871</u>	<u>1,037,086</u>	<u>5,558</u>	<u>2,956</u>	<u>2,558</u>	<u>3,125,029</u>
Nonspendable	-	-	-	-	2,558	2,558
Restricted	-	1,242,584	-	2,956	-	1,245,540
Committed	-	74,533	-	-	-	74,533
Assigned	-	-	5,558	-	-	5,558
Unassigned	<u>2,223,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,223,373</u>
Fund Cash Balances, December 31	<u>\$ 2,223,373</u>	<u>\$ 1,317,117</u>	<u>\$ 5,558</u>	<u>\$ 2,956</u>	<u>\$ 2,558</u>	<u>\$ 3,551,562</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, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 3,351,785	\$ -	\$ 3,351,785
Fines, Licenses & Permits	-	-	-
 Total Operating Cash Receipts	 <u>3,351,785</u>	 <u>-</u>	 <u>3,351,785</u>
Operating Cash Disbursements			
Personal services	411,705	-	411,705
Fringe benefits	180,712	-	180,712
Contractual services	388,975	-	388,975
Supplies and Materials	224,203	-	224,203
Other	215,340	-	215,340
 Total Operating Cash Disbursements	 <u>1,420,935</u>	 <u>-</u>	 <u>1,420,935</u>
<i>Operating Income (Loss)</i>	1,930,850	-	1,930,850
Non-Operating Receipts (Disbursements)			
Earnings on Investments	172	-	172
Miscellaneous Receipts	39,847	-	39,847
Capital Outlay	(187,369)	-	(187,369)
Debt Service:			
Principal	(1,257,528)	-	(1,257,528)
Interest	(192,969)	-	(192,969)
Other Non-operating Receipts	-	34,274	34,274
Other Non-operating Disbursements	-	(34,274)	(34,274)
 Total Non-Operating Receipts (Disbursements)	 <u>(1,597,847)</u>	 <u>-</u>	 <u>(1,597,847)</u>
<i>Income (Loss) Before Transfers</i>	333,003	-	333,003
Transfers			
Transfers-In	727,983	-	727,983
Transfers-Out	(727,983)	-	(727,983)
 Total Transfers	 <u>-</u>	 <u>-</u>	 <u>-</u>
<i>Net Change in Fund Cash Balances</i>	333,003	-	333,003
Fund Cash Balances, January 1	9,983,192	-	9,983,192
 Fund Cash Balances, December 31	 <u><u>\$ 10,316,195</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 10,316,195</u></u>

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hebron, Licking County, Ohio, (the Village) is a body politic and corporate 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. The Village provides water and sewer utilities, park operations (leisure time activities), 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 organizations is:

Public Entity Risk Pool: The Village belongs to the Ohio Plan Risk Management (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 management believes these financial statements represent 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

D. Fund Accounting

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (continued)

1. General Fund:

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds:

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

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 Projects Funds:

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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.

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.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (continued)

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 Fund – This fund receives charges for services from residents to cover the cost of providing water services.

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

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.

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

3. Encumbrances

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

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.

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:

	<u>2016</u>	<u>2015</u>
Demand deposits	\$13,939,913	\$12,832,601
Certificates of deposit	95,434	92,875
Other time deposits (savings and NOW accounts)	<u>202,000</u>	<u>201,198</u>
Total deposits	<u>\$14,237,347</u>	<u>\$13,126,674</u>
U.S. Treasury Notes	<u>741,083</u>	<u>741,083</u>
Total Investment	<u>741,083</u>	<u>741,083</u>
Total deposits and investments:	<u>\$14,978,430</u>	<u>\$13,867,757</u>

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

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

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and December 31, 2015, was as follows:

2016 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,934,600	\$2,318,920	\$384,320
Special Revenue	3,675,150	3,270,210	(404,940)
Debt Service	186,275	186,275	0
Enterprise	<u>4,367,868</u>	<u>4,144,487</u>	<u>(223,381)</u>
Total	<u>\$10,163,893</u>	<u>\$9,919,892</u>	<u>(\$244,001)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$2,311,100	\$2,284,703	\$26,397
Special Revenue	3,802,100	2,774,582	1,027,518
Debt Service	191,275	191,275	0
Enterprise	<u>6,236,695</u>	<u>3,611,170</u>	<u>2,625,525</u>
Total	<u>\$12,541,170</u>	<u>\$8,861,730</u>	<u>\$3,679,440</u>

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY (CONTINUED)

2015 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,995,611	\$2,212,785	\$217,174
Special Revenue	3,619,648	3,309,804	(309,844)
Debt Service	193,245	193,245	0
Enterprise	<u>4,453,600</u>	<u>3,391,804</u>	<u>(1,061,796)</u>
Total	<u>\$10,262,104</u>	<u>\$9,107,638</u>	<u>(\$1,154,466)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$2,219,175	\$2,066,283	\$152,892
Special Revenue	4,057,370	3,029,773	1,027,597
Debt Service	193,245	193,245	-
Enterprise	<u>5,353,445</u>	<u>3,786,784</u>	<u>1,566,661</u>
Total	<u>\$11,823,235</u>	<u>\$9,076,085</u>	<u>\$2,747,150</u>

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.

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

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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, 2016 was as follows:

	Principal	Interest Rate
Municipal Building Bond	\$485,000	1.00%
Fire Department Building Bond	1,155,000	3.00%
OPWC Loan West Main Curb/Gutter	322,718	0.00%
OPWC Kelly & Westview	97,175	0.00%
OWDA Sewer Loan	8,177,698	0.00%
Water Refunding Bonds	4,105,000	3.00%
Sewer Refunding Bonds	2,795,000	3.00%
Total	\$17,137,591	

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

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.

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.

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.

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 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.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

6. DEBT (CONTINUED)

On January 15, 2002, the Village issued Sanitary Sewer System Mortgage Revenue Bonds to improve the Village's sanitary sewer system. On 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:	Fire Construction	OPWC Loans	OWDA Loan	Municipal Bond	Water Refunding	Sewer Refunding
2017	91,570	30,735	711,062	137,140	407,384	324,034
2018	95,370	30,735	711,062	134,515	406,384	323,934
2019	89,070	30,735	711,062	126,515	405,284	323,734
2020-2024	459,769	153,675	3,555,308	133,343	2,029,258	1,607,128
2025-2029	456,550	76,838	2,488,714	0	1,661,406	637,600
2030-2034	271,320	0	0	0	0	0
Totals	\$1,463,649	\$322,718	\$8,177,208	\$531,513	\$4,909,716	\$3,216,430

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and certified fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability.

Contribution rates are also prescribed by the Ohio Revised Code. From January 1, 2015 through June 30, 2015, OP&F participants contributed 10% of their wages, from July 1, 2015 through June 30, 2016, OP&F participants contributed 10.75% of their wages, from July 1, 2016 through December 31, 2016, OP&F participants contributed 11.5% of their wages. The Village contributed an amount equal to 19.5% of police participant wages and 21% of fire fighters wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2016.

8. RISK MANAGEMENT

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. RISK MANAGEMENT (CONTINUED)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 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 equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

9. INTERFUND TRANSFERS

The following is a summary of transfers in and out for 2016:

Opinion Unit	Transfer In	Transfer Out
General	\$ -	\$ 1,592,925
Special Revenue	1,494,000	87,350
Debt Service	186,275	-
Enterprise	720,878	720,878
Total	<u>\$ 2,401,153</u>	<u>\$ 2,401,153</u>

**VILLAGE OF HEBRON
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

9. INTERFUND TRANSFERS (CONTINUED)

The following is a summary of transfers in and out for 2015:

<u>Opinion Unit</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 1,490,115
Special Revenue	1,390,000	93,130
Debt Service	193,245	-
Enterprise	<u>727,983</u>	<u>727,983</u>
Total	<u>\$ 2,311,228</u>	<u>\$ 2,311,228</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.



**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
Hebron, Ohio 43025

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type the Village of Hebron, Licking County, (the Village) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated March 24, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

BHM CPA Group

BHM CPA Group, Inc.
Columbus, Ohio
March 24, 2017

**Village of Hebron
Licking County**

**Schedule of Prior Audit Findings
December 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Material Weakness - Sound financial reporting	Partially	Issued as a Management Letter Comment



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
JUNE 13, 2017