

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Hiram  
P.O. Box 65  
Hiram, Ohio 44234

We have reviewed the *Independent Auditor's Report* of the Village of Hiram, Portage County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Hiram is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 20, 2007

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**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**PORTAGE COUNTY**  
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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Village of Hiram  
Portage County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hiram, Ohio, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Hiram, Ohio's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements are prepared on the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hiram, Ohio, as of December 31, 2005 and 2004, the respective changes in cash financial position, where applicable, and the respective budgetary comparison for the General Fund, the Ambulance Fund, and the 2004 FEMA Grant Fund for the year then ended in conformity with the accounting basis described in Note 2.

As reported in Note 3 to the basic financial statements for the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2007, on our consideration of the Village of Hiram, Ohio'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. 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.

The Management's Discussion and Analysis on pages 3 through 10 for 2005 and pages 46 through 55 for 2004 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 23, 2007



**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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The discussion and analysis of the Village of Hiram's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased by \$71,263, or a 9 percent increase from 2004. The fund most affected by the increase in cash and cash equivalents was the General Fund, which received an increase of \$5,000 in the contract for services with Hiram Township. There was a decrease in the income tax collection of \$106,938. The departments kept their spending under control allowing for an increase in the net assets.
- The Village's general receipts are primarily from property and income taxes. These receipts represent, respectively, 8 percent and 60 percent of the total general receipts for governmental activities during the year.
- The sewer and water operations, the Village's two business-type activities, ended the year on a positive note. The water operations ended the year with a balance of net assets in the amount of \$57,171, while the sewer operations ended the year with net assets of \$154,254.
- The Village made the second of five payments on its ambulance at Middlefield Bank in the amount of \$15,970. Two payments were made on the outstanding debt obligations to the Ohio Water Development Authority and the Ohio Public Works Commission. The water fund made payments of \$80,288, and the sewer fund made payments of \$194,516 at December 31, 2005.
- The Village received a grant through the efforts of the Fire Department in the amount of \$7,000. The Police Department received a grant in the amount of \$1,900 to purchase an automated external defibrillator (AED). The Village received inheritance tax in the amount of \$10,578.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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These statements report the Village's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources, such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

*Governmental Activities* Most of the Village's basic services are reported here, including police, fire, streets, and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people received them.

*Business-type Activities* The Village has two business-type activities: the provisions of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds, not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

*Governmental Funds* Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Ambulance Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

*Proprietary Funds* When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds: the water fund and the sewer fund. Both are major funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund.

*Fiduciary Funds* Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has three fiduciary funds: Unclaimed Money, Beautification Commission, and Retainage.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

**Table 1 - Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Cash and Cash Equivalents	\$ 817,906	\$ 746,643	\$ 211,425	\$ 128,378	\$1,029,331	\$ 875,021
<b>Total Assets</b>	<b>\$ 817,906</b>	<b>\$ 746,643</b>	<b>\$ 211,425</b>	<b>\$ 128,378</b>	<b>\$1,029,331</b>	<b>\$ 875,021</b>
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$ 244	\$ 244	\$ 0	\$ 0	\$ 244	\$ 244
Other Purposes	141,319	178,899	0	0	141,319	178,899
Unrestricted	676,343	567,500	211,425	128,378	887,768	695,878
<b>Total Net Assets</b>	<b>\$ 817,906</b>	<b>\$ 746,643</b>	<b>\$ 211,425</b>	<b>\$ 128,378</b>	<b>\$1,029,331</b>	<b>\$ 875,021</b>

As mentioned previously, net assets of governmental activities increased by \$71,263, or 9 percent, during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Receipt of inheritance tax in the amount of \$10,578
- Continued freeze in wages
- Sale of the cargo trailer for \$1,800 and sale of the 1979 grass truck for \$2,022
- Department heads curbing their spending

Table 2 reflects the changes in net assets in 2005. This is a comparative analysis between 2004 and 2005.

**VILLAGE OF HIRAM, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Unaudited)**

**Table 2 - Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b><u>Receipts</u></b>						
Program Receipts:						
Charges for Services and Sales	\$ 286,105	\$ 330,851	\$ 619,660	\$ 500,064	\$ 905,765	\$ 830,915
Operating Grants and Contributions	<u>19,907</u>	<u>21,580</u>	<u>0</u>	<u>0</u>	<u>19,907</u>	<u>21,580</u>
Total Program Receipts	<u>306,012</u>	<u>352,431</u>	<u>619,660</u>	<u>500,064</u>	<u>925,672</u>	<u>852,495</u>
General Revenues:						
Property and Other						
Local Taxes	50,686	61,933	0	0	50,686	61,933
Income Taxes	383,912	503,848	0	0	383,912	503,848
Other Taxes	5,762	1,304	0	0	5,762	1,304
OPWC Grants	0	0	0	116,020	0	116,020
Grants and Entitlements Not Restricted to Specific Programs	148,547	314,741	0	0	148,547	314,741
Sale of Fixed Assets	3,822	0	0	0	3,822	0
Interest	27,519	19,564	0	1,303	27,519	20,867
Transfers	0	(1,705)	0	1,705	0	0
Miscellaneous	<u>16,130</u>	<u>39,190</u>	<u>2,060</u>	<u>3,518</u>	<u>18,190</u>	<u>42,708</u>
Total General Receipts	<u>636,378</u>	<u>938,875</u>	<u>2,060</u>	<u>122,546</u>	<u>638,438</u>	<u>1,061,421</u>
<b>Total Receipts</b>	<u>942,390</u>	<u>1,291,306</u>	<u>621,720</u>	<u>622,610</u>	<u>1,564,110</u>	<u>1,913,916</u>
<b><u>Disbursements</u></b>						
General Government	223,068	234,442	0	0	223,068	234,442
Security of Persons and Property	385,275	518,654	0	0	385,275	518,654
Public Health Services	145,593	136,418	0	0	145,593	136,418
Leisure Time Activities	348	325	0	0	348	325
Economic Development	3,532	2,779	0	0	3,532	2,779
Basic Utilities	1,052	3,010	0	0	1,052	3,010
Transportation	108,524	88,852	0	0	108,524	88,852
Capital Outlay	0	17,253	0	0	0	17,253
Principal Retirement	13,915	51,563	0	0	13,915	51,563
Interest and Fiscal Charges	2,055	24,290	0	0	2,055	24,290
Other	0	2,132	0	0	0	2,132
Water	0	0	223,159	324,114	223,159	324,114
Sewer	<u>0</u>	<u>0</u>	<u>324,008</u>	<u>264,522</u>	<u>324,008</u>	<u>264,522</u>
<b>Total Disbursements</b>	<u>883,362</u>	<u>1,079,718</u>	<u>547,167</u>	<u>588,636</u>	<u>1,430,529</u>	<u>1,668,354</u>
Increase in Net Assets	59,028	211,588	74,553	33,974	133,581	245,562
Net Asset Adjustments	12,236	0	8,494	0	20,730	0
Net Assets - January 1	<u>746,642</u>	<u>535,054</u>	<u>128,378</u>	<u>94,404</u>	<u>875,020</u>	<u>629,458</u>
<b>Net Assets - December 31</b>	<u>\$ 817,906</u>	<u>\$ 746,642</u>	<u>\$ 211,425</u>	<u>\$ 128,378</u>	<u>\$ 1,029,331</u>	<u>\$ 875,020</u>

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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Program receipts represent only 32 percent of total governmental receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax monies, building permits and inspection fees, and charges to other local governments for police services provided under contract.

General receipts represent 68 percent of the Village’s total governmental receipts and, of this amount, over 69 percent are local taxes. State and federal grants and entitlements make up the majority of the balance of the Village’s general receipts (23 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other governmental activities. These include the costs of Council, the Auditor, the Solicitor, the Fiscal Officer, and the Assistant Fiscal Officer. Since these costs do not represent direct services to residents, we try to limit these costs to 50 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the cost of EMS; Leisure Time Activities are the cost of maintaining the parks and playing fields; the Economic Development Department monitors and enforces the Village’s zoning compliance; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and general government, which account for 44 percent and 25 percent of all governmental disbursements, respectively. Public Health also represents a significant cost, about 16 percent. The next three columns of the statement entitled “Program Receipts” identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented below in Table 3.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

**Table 3 - Governmental Activities**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
General Government	\$ 223,068	\$ (198,568)
Security of Persons and Property	385,275	(214,518)
Public Health Services	145,593	(57,882)
Leisure Time Activities	348	(348)
Community Environment	3,532	(3,242)
Basic Utilities	1,052	(1,052)
Transportation	108,524	(85,770)
Principal and Interest Payments	<u>15,970</u>	<u>(15,970)</u>
<b>Total Expenses - Governmental Activities</b>	<b><u>\$ 883,362</u></b>	<b><u>\$ (577,350)</u></b>

The dependence upon property and income tax receipts is apparent, as over 50 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water and sewer operations of the Village both reported receipts greater than disbursements.

**The Village's funds**

Total governmental funds had receipts of \$942,390 and disbursements of \$883,362. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$108,806 as a result of the significant decrease in expenses. In 2004 and 2005, the income tax receipts were \$490,850 and \$383,912, respectively, representing a decrease of \$106,938. However, expenses decreased from \$683,047 in 2004 to \$633,243 in 2005.

General Fund receipts were greater than disbursements by \$113,148 indicating that the General Fund is not in a deficit spending situation. It was the recommendation of the Finance Committee and the Village administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2005, including continued wage freezes and reduced spending. These cuts will not eliminate the need for additional funds or additional cuts in the future if the growth in property remains stagnant and income tax receipts continue to decline.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected slow growth in license tax receipts and ambulance run fees. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$723,667, while actual disbursements were \$633,243. Receipts were close to the budgeted amount for the General Fund. The Village kept spending in check as demonstrated by the variance. The Village increased the cash balance in the General Fund by \$108,806 over the balance at the end of 2004.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2005, the Village's outstanding debt included \$2,273,290 in Ohio Water Development Authority and Ohio Public Works Commission outstanding principal and interest loan balance. There is a loan for an ambulance with Middlefield Bank with a balance of \$44,635 remaining in principal. The copier lease has an outstanding balance of \$10,296 as of December 31, 2005. See details in Note 12 to the financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited and, in some cases, shrinking funding. The Village relies heavily on local taxes and have no industry to support the tax base. The Village faces numerous problems: loss of income taxes, a police force that is not on duty full time, a fire department that wants more staffing hours, roads that need attention, and vehicles that are reaching their mechanical limits.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kay Ziska, Fiscal Officer, Village of Hiram, P.O. Box 65, Hiram, Ohio 44234.



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 817,906	\$ 211,425	\$ 1,029,331
<b>Total Assets</b>	<b><u>\$ 817,906</u></b>	<b><u>\$ 211,425</u></b>	<b><u>\$ 1,029,331</u></b>
<b><u>Net Assets</u></b>			
Restricted for:			
Debt Service	\$ 244	\$ 0	\$ 244
Other Purposes	141,319	0	141,319
Unrestricted	<u>676,343</u>	<u>211,425</u>	<u>887,768</u>
<b>Total Net Assets</b>	<b><u>\$ 817,906</u></b>	<b><u>\$ 211,425</u></b>	<b><u>\$ 1,029,331</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 385,275	\$ 170,757	\$ 0	\$ 0	\$ (214,518)	\$ 0	\$ (214,518)
Public Health Services	145,593	87,711	0	0	(57,882)	0	(57,882)
Leisure Time Activities	348	0	0	0	(348)	0	(348)
Community Environment	3,532	290	0	0	(3,242)	0	(3,242)
Basic Utility Services	1,052	0	0	0	(1,052)	0	(1,052)
Transportation	108,524	2,847	19,907	0	(85,770)	0	(85,770)
General Government	223,068	24,500	0	0	(198,568)	0	(198,568)
Principal Retirements	13,915	0	0	0	(13,915)	0	(13,915)
Interest Charges	2,055	0	0	0	(2,055)	0	(2,055)
<b>Total Governmental Activities</b>	<u>883,362</u>	<u>286,105</u>	<u>19,907</u>	<u>0</u>	<u>(577,350)</u>	<u>0</u>	<u>(577,350)</u>
<b>Business-type Activities</b>							
Water	223,159	232,069	0	0	0	8,910	8,910
Sewer	324,008	387,591	0	0	0	63,583	63,583
<b>Total Business-type Activities</b>	<u>547,167</u>	<u>619,660</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,493</u>	<u>72,493</u>
<b>Total Primary Government</b>	<u>\$ 1,430,529</u>	<u>\$ 905,765</u>	<u>\$ 19,907</u>	<u>\$ 0</u>	<u>(577,350)</u>	<u>72,493</u>	<u>(504,857)</u>
<b>General Receipts</b>							
Property Taxes					50,686	0	50,686
Municipal Income Taxes					383,912	0	383,912
Other Taxes					5,762	0	5,762
Grants and Entitlements Not Restricted to Special Programs					148,547	0	148,547
Sale of Fixed Assets					3,822	0	3,822
Earnings on Investments					27,519	0	27,519
Miscellaneous					16,130	2,060	18,190
<b>Total General Receipts</b>					<u>636,378</u>	<u>2,060</u>	<u>638,438</u>
Change in Net Assets					59,028	74,553	133,581
Net Asset Adjustments					12,236	8,494	20,730
Net Assets - Beginning of Year					746,642	128,378	875,020
<b>Net Assets - End of Year</b>					<u>\$ 817,906</u>	<u>\$ 211,425</u>	<u>\$ 1,029,331</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF CASH ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	General Fund	Ambulance Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 676,343	\$ 71,037	\$ 70,526	\$ 817,906
<b>Total Assets</b>	<b><u>\$ 676,343</u></b>	<b><u>\$ 71,037</u></b>	<b><u>\$ 70,526</u></b>	<b><u>\$ 817,906</u></b>
<b><u>Fund Balances</u></b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 676,343	\$ 0	\$ 0	\$ 676,343
Special Revenue Funds	0	71,037	70,282	141,319
Debt Service Fund	0	0	244	244
<b>Total Fund Balances</b>	<b><u>\$ 676,343</u></b>	<b><u>\$ 71,037</u></b>	<b><u>\$ 70,526</u></b>	<b><u>\$ 817,906</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN**  
**CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$ 32,490	\$ 12,742	\$ 4,830	\$ 50,062
Municipal Income Taxes	383,912	0	0	383,912
Intergovernmental	142,088	0	31,821	173,909
Charges for Services	117,175	133,642	7,650	258,467
Fines, Licenses, and Permits	28,309	0	260	28,569
Earnings on Investments	26,487	0	1,032	27,519
Miscellaneous	<u>15,930</u>	<u>100</u>	<u>100</u>	<u>16,130</u>
<b>Total Receipts</b>	<u>746,391</u>	<u>146,484</u>	<u>45,693</u>	<u>938,568</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	319,273	0	66,002	385,275
Public Health Services	0	131,940	13,653	145,593
Leisure Time Activities	348	0	0	348
Community Environment	3,532	0	0	3,532
Basic Utility Services	1,052	0	0	1,052
Transportation	86,161	0	22,363	108,524
General Government	222,877	191	0	223,068
Principal Retirements	0	13,915	0	13,915
Interest Charges	<u>0</u>	<u>2,055</u>	<u>0</u>	<u>2,055</u>
<b>Total Disbursements</b>	<u>633,243</u>	<u>148,101</u>	<u>102,018</u>	<u>883,362</u>
Excess of Receipts Over (Under) Disbursements	<u>113,148</u>	<u>(1,617)</u>	<u>(56,325)</u>	<u>55,206</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	3,822	0	0	3,822
Transfers In	0	0	18,164	18,164
Transfers Out	(18,164)	0	0	(18,164)
Advances In	10,500	0	500	11,000
Advances Out	<u>(500)</u>	<u>(10,000)</u>	<u>(500)</u>	<u>(11,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(4,342)</u>	<u>(10,000)</u>	<u>18,164</u>	<u>3,822</u>
Net Change in Fund Balances	108,806	(11,617)	(38,161)	59,028
Fund Balances - Beginning of Year	<u>567,537</u>	<u>82,654</u>	<u>108,687</u>	<u>758,878</u>
<b>Fund Balances - End of Year</b>	<u>\$ 676,343</u>	<u>\$ 71,037</u>	<u>\$ 70,526</u>	<u>\$ 817,906</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGET BASIS -  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 40,000	\$ 32,490	\$ 32,490	\$ 0
Municipal Income Taxes	439,492	382,760	383,912	1,152
Intergovernmental	121,260	144,495	142,088	(2,407)
Charges for Services	28,000	117,175	117,175	0
Fines, Licenses, and Permits	9,500	31,748	28,309	(3,439)
Earnings on Investments	5,000	25,055	26,487	1,432
Miscellaneous	11,000	17,986	15,930	(2,056)
<b>Total Receipts</b>	<u>654,252</u>	<u>751,709</u>	<u>746,391</u>	<u>(5,318)</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	365,000	369,203	319,273	49,930
Leisure Time Activities	600	600	348	252
Community Environment	3,500	4,500	3,532	968
Basic Utility Services	3,000	2,000	1,052	948
Transportation	92,000	87,000	86,161	839
General Government	245,000	260,364	222,877	37,487
<b>Total Disbursements</b>	<u>709,100</u>	<u>723,667</u>	<u>633,243</u>	<u>90,424</u>
Excess of Receipts Over (Under) Disbursements	<u>(54,848)</u>	<u>28,042</u>	<u>113,148</u>	<u>85,106</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Sale of Fixed Assets	0	3,822	3,822	0
Transfers In	0	94	0	(94)
Transfers Out	(30,000)	(42,063)	(18,164)	23,899
Advances In	0	10,500	10,500	0
Advances Out	0	0	(500)	(500)
Other	(330,609)	(330,609)	0	330,609
<b>Total Other Financing Sources (Uses)</b>	<u>(360,609)</u>	<u>(358,256)</u>	<u>(4,342)</u>	<u>353,914</u>
Net Change in Fund Balance	(415,457)	(330,214)	108,806	439,020
Fund Balance - Beginning of Year	567,132	567,132	567,132	0
Prior Year Encumbrances Appropriated	405	405	405	0
<b>Fund Balance - End of Year</b>	<u>\$ 152,080</u>	<u>\$ 237,323</u>	<u>\$ 676,343</u>	<u>\$ 439,020</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGET BASIS -  
AMBULANCE/EMERGENCY MEDICAL SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 15,000	\$ 12,744	\$ 12,742	\$ (2)
Intergovernmental	2,600	100	0	(100)
Charges for Services	45,789	142,056	133,642	(8,414)
Miscellaneous	<u>0</u>	<u>100</u>	<u>100</u>	<u>0</u>
<b>Total Receipts</b>	<u>63,389</u>	<u>155,000</u>	<u>146,484</u>	<u>(8,516)</u>
<b><u>Disbursements</u></b>				
Current:				
Public Health Services	148,500	148,750	131,940	16,810
General Government	500	200	191	9
Principal and Interest	<u>16,000</u>	<u>16,000</u>	<u>15,970</u>	<u>30</u>
<b>Total Disbursements</b>	<u>165,000</u>	<u>164,950</u>	<u>148,101</u>	<u>16,849</u>
Excess of Receipts Over (Under) Disbursements	<u>(101,611)</u>	<u>(9,950)</u>	<u>(1,617)</u>	<u>8,333</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers Out	(10,000)	(10,000)	0	10,000
Advances Out	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
Net Change in Fund Balance	(111,611)	(19,950)	(11,617)	8,333
Fund Balance - Beginning of Year	<u>82,654</u>	<u>82,654</u>	<u>82,654</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ (28,957)</u>	<u>\$ 62,704</u>	<u>\$ 71,037</u>	<u>\$ 8,333</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

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	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 57,171	\$ 154,254	\$ 211,425
<b>Total Assets</b>	<u>\$ 57,171</u>	<u>\$ 154,254</u>	<u>\$ 211,425</u>
<b><u>Net Assets</u></b>			
Unrestricted	\$ 57,171	\$ 154,254	\$ 211,425
<b>Total Net Assets</b>	<u>\$ 57,171</u>	<u>\$ 154,254</u>	<u>\$ 211,425</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b><u>Operating Receipts</u></b>			
Charges for Services	\$ 232,069	\$ 387,591	\$ 619,660
<b>Total Operating Receipts</b>	<u>232,069</u>	<u>387,591</u>	<u>619,660</u>
<b><u>Operating Disbursements</u></b>			
Personal Services	73,000	73,000	146,000
Employee Fringe Benefits	16,192	15,003	31,195
Contractual Services	40,553	32,132	72,685
Supplies and Materials	11,114	5,990	17,104
Other	36	73	109
<b>Total Operating Disbursements</b>	<u>140,895</u>	<u>126,198</u>	<u>267,093</u>
Operating Income (Loss)	<u>91,174</u>	<u>261,393</u>	<u>352,567</u>
<b><u>Non-Operating Receipts (Disbursements)</u></b>			
Miscellaneous Receipts	1,039	1,021	2,060
Capital Outlay	(1,976)	(3,294)	(5,270)
Principal Payments	(64,205)	(137,877)	(202,082)
Interest and Fiscal Charges	(16,083)	(56,639)	(72,722)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>(81,225)</u>	<u>(196,789)</u>	<u>(278,014)</u>
Change in Net Assets	9,949	64,604	74,553
Net Assets - Beginning of Year	<u>47,222</u>	<u>89,650</u>	<u>136,872</u>
<b>Net Assets - End of Year</b>	<u>\$ 57,171</u>	<u>\$ 154,254</u>	<u>\$ 211,425</u>

See accompanying notes to the basic financial statements.



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

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	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 16,315
<b>Total Assets</b>	<u>\$ 16,315</u>
<b><u>Net Assets</u></b>	
Restricted for:	
Other Purposes	\$ 16,315
<b>Total Net Assets</b>	<u>\$ 16,315</u>

See accompanying notes to the basic financial statements.

*Notes to the Financial Statements*  
*for the Year ended December 31, 2005*

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **REPORTING ENTITY**

The Village of Hiram, 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 six-member Council elected at large for four year terms. The Mayor is elected to a four year term and votes only to break a tie.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police services. The Village appropriates General Fund money to support a Village fire department.

**B. Component Units**

Component units are legally separate organization for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village does not have any component units.

The Village participates in one public entity risk pool. Note 17 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:  
Ohio Municipal Joint Self-Insurance Pool

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

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted (GAAP) in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies:

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements* The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, investments, and all fund cash balances of the governmental activities and business-type of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

*Government-wide Financial Statements* (Continued)

goods and services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

*Fund Financial Statements* During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. **Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and the Ambulance Fund. The Ambulance Fund is the fund into which ambulance run fees are placed, as well as the Village EMS levy monies. The monies from the contract with Hiram Township for EMS service also are placed into the Ambulance Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The cash balance as of December 31, 2005 in the General Fund and the Ambulance Fund was \$676,343 and \$71,037, respectively.

The General Fund balance is available to the Village for any purpose, provided it is expended or transferred according to the general laws of the State of Ohio. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

**Water Fund** - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Internal Service Fund** - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village's agency funds are: Unclaimed Money, Hiram Beautification Commission, Hiram Retainage, and the Hiram Township EMS.

C. **Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. **Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Process** (Continued)

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. The General Fund is broken down to show the amount that each department contained within the fund has been appropriated.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

E. **Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves, and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

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

During 2005, the Village invested in a certificate of deposit, a money market account, and a checking account. The certificate of deposit is reported at cost. The Village's money market account and checking account are recorded at the amount reported by Middlefield Bank on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related requirements. Interest receipts credited to the General Fund during 2005 were \$26,487.

F. **Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets as of December 31, 2005, were \$141,563.

G. **Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The following advances were made during 2005:

<u>Advance From</u>	<u>Advance To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	DUI Task Force Fund	Payment of Expenses	\$ 500
DUI Task Force Fund	General Fund	Advance repayment	500
Ambulance Fund	General Fund	2004 Advance repay.	10,000

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village has an EMS levy that is two mills and is directly deposited into the Ambulance Fund. The amount from this levy that was deposited in 2005 was \$12,498. These funds are appropriated to the Ambulance Fund. The Village has two contracts with Hiram College. One contract is for services provided by the Village Police Department and the second contract is for services provided by the Village Fire Department.

The Village received \$30,000 from the contract with the Police Department and \$24,000 from the contract with the Fire Department. These monies were deposited into the General Fund and appropriated to the Police Department and the Fire Department accordingly. The Village received \$53,581 from the contract with Hiram Township for EMS services and \$63,000 for fire protection services. The money for the EMS services was deposited into the Ambulance Fund and the money for fire protection was deposited into the General Fund.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance Reserves**

The Village reserves any portion of fund balances which are not available for appropriation or which are legally separate for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves that have been established for encumbrances were \$0.

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The Village had no deficit fund balances at the end of 2005

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual - Budgetary Basis presented for the General Fund and the Ambulance Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The prior year encumbrances (2004) appropriated in 2005 were \$405. The encumbrances outstanding at year end (budgetary basis) amounted to \$0 for the General Fund and \$0 for the Ambulance Fund. The outstanding advances at year end amounted to \$0 for the General Fund and \$0 for the Ambulance Fund.

**VILLAGE OF HIRAM, OHIO**  
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**NOTE 5: DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active deposits are public monies determined to be necessary to meet current demands on the Village treasury. Active monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities according to Ordinance 2003-21, which contains the Village's investment policy:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States, except stripped principal or interest obligations of such eligible obligations;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Certificates or deposit or savings or deposit accounts in Council-approved depositories.
4. Bonds and other obligations of the State of Ohio;

**VILLAGE OF HIRAM, OHIO**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

5. No-load money market mutual funds meeting minimum requirements set forth in Ohio Revised Code Section 135.01(O) and consisting exclusively of Treasury or Federal agency/instrumentality obligations or repurchase agreements secured by such obligations, providing such investments are made only through banks and savings and loan institutions authorized by Ohio Revised Code Section 135.03;
6. The State Treasurer's investment pool (STAROhio); and
7. Written repurchase agreements collateralized as required by Ohio Revised Code with Treasury or Federal agency/instrumentality obligations made through eligible institutions or eligible dealers. The time period of such agreements may be overnight or within a time period not to exceed thirty (30) days. The market value of the securities subject to the repurchase agreement must exceed the principal value of the term repurchase agreement by 2 percent, and such securities shall be marked to market daily. Up to 25 percent of interim monies available may be invested in commercial paper or bankers' acceptances after meeting requirements specified in Ohio Revised Code Section 135.14(B)(7).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged by the Village by Middlefield Bank, or by a collateral pool established by Middlefield Bank to secure the repayment of all public monies deposited with Middlefield Bank.

According to the Village's investment policy, the following are ineligible investments (except as used by STAROhio):

1. Derivative securities (financial instruments or contracts or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself);
2. Reverse repurchase agreements;
3. Local government investment pools;
4. Use of leverage (use of current investment assets as collateral for the purpose of purchasing other assets);
5. Issuance of taxable notes for the purpose of arbitrage;

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

6. Contracting to sell securities that have not yet been acquired;
7. Any other investment not specifically authorized.

**Deposits**

At year end, the total amount of the Village's deposits was \$416,436, and the bank balance was \$439,543. Of the bank balance, \$186,035 was covered by Federal Depository Insurance. Although all State statutory requirements for the deposit of money has been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$253,508 of the Village's bank balance of \$439,543 was exposed to custodial credit risk, as those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no depository policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments**

The Village has an investment policy that is detailed in Ordinance 2005-21, Exhibit "A". This policy is reviewed every two years. The stated purpose of the investment policy is to establish investment objectives of the Village in compliance with Federal, state, and local laws. Specifically, Chapter 135 of the Ohio Revised Code (the Uniform Depository Act) and Sections 731.55 through 731.59 of the Ohio Revised Code shall be adhered to at all times.

The Village does not have a section in its investment policy that deals with custodial risk.

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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

At December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Money Market Account	\$ 629,210	1 Day
Total Investments	629,210	
Demand Deposits	<u>416,436</u>	
<b>Total</b>	<b><u>\$1,045,646</u></b>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

*Credit Risk:* The Village's investments in the money market account were rated A-1 and P-1 by Standard & Poor's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Village's investment in money market accounts, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Village. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name.

NOTE 6: **INCOME TAXES**

The Village levies a 2 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village, as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of the actual taxes paid to another city, or 100 percent of the 2 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village monthly. Corporations and other individual taxpayers are also required to pay their estimated tax quarterly and no reconciliation is required.

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**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 7: PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State Statute at 35 percent of appraised market values. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due February 14, with the remainder payable by July 15. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004 on the true value as of December 31, 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2004, was \$9.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:	
Residential	\$ 6,694,640
Agricultural	366,070
Commercial/Industrial/Mineral	1,758,770
Public Utility Property:	
Personal	524,060
Tangible Personal Property	<u>1,263,880</u>
Total Assessed Value	<u>\$10,607,420</u>



**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 8: INTERFUND RECEIVABLES/PAYABLES**

The Village had no outstanding transfers or advances at the end of 2005.

**NOTE 9: RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements, and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool financial statements (audited by other auditors) conform with generally accepted accounting principles and reported the following assets, liabilities, and retained deficit at December 31, 2005 (the latest information available).

Assets	\$ 2,241,661
Liabilities	<u>(3,457,720)</u>
Accumulated Deficit	<u><u>\$(1,216,059)</u></u>

Casualty excess-of-loss contracts at December 31, 2005 generally protect against individual losses exceeding \$3,000,000.

Property coverage contracts protect against losses, are subject to a deductible of \$1,000, and are limited to an annual aggregate loss of \$4,233,572.

The Village entered into a participation agreement with the Pool which provides for additional assessments to its members if contributions are insufficient to meet its obligations.

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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 10: **DEFINED BENEFIT PENSION PLANS**

A. **Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$67,747, \$70,446, and \$66,133, respectively; the full amount has been contributed for 2005, 2004, and 2003. Contributions to the member directed plan for 2005 were \$185 made by the Village and \$116 made by the plan members.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's contributions to the Fund for the years ended December 31, 2005, 2004, and 2003, were \$14,610, \$23,236, and \$26,506, respectively. The full amount has been contributed for 2005, 2004, and 2003.

NOTE 11: **POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 11: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund post-employment benefits were \$4,313. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. **Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis.

**VILLAGE OF HIRAM, OHIO**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 11: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Ohio Police and Fire Pension Fund** (Continued)

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the OP&F funds shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$1,132 for police. The OP&F's total health care expenses for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

**NOTE 12: DEBT**

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance at 12/31/2004	Maturity Date	Additions	Retirements	Balance at 12/31/2005	Due Within One Year
<b>Governmental Activities</b>							
Middlefield Bank (\$72,000)	3.5%	\$ 58,550	2008	\$ 0	\$ 13,915	\$ 44,635	\$ 14,408
<b>Total Governmental Activities</b>		<u>58,550</u>		<u>0</u>	<u>13,915</u>	<u>44,635</u>	<u>14,408</u>
<b>Business-type Activities</b>							
1624 OWDA Loan (\$406,721)	7.77%	189,562	2010	0	25,990	163,572	28,145
2291 OWDA Loan (\$2,161,237)	3.54%	1,268,293	2014	0	107,755	1,160,538	111,015
2292 OWDA Loan (\$13,418)	4.35%	(7,340)	2015	0	(1,045)	(6,295)	0
2748 OWDA Loan (\$286,860)	2.00%	192,309	2017	0	13,697	178,612	14,106
2749 OWDA Loan (\$174,173)	2.00%	124,917	2018	0	8,154	116,763	8,328
2750 OWDA Loan (\$190,957)	2.00%	145,095	2019	0	8,141	136,954	9,961
3498 OWDA Loan (\$266,110)	2.00%	238,344	2021	0	11,500	226,844	11,748
3499 OWDA Loan (\$15,581)	2.00%	13,955	2022	0	673	13,282	688
3894 OWDA Loan (\$59,779)	2.00%	56,074	2023	0	2,532	53,542	4,940
CT224 OPWC Loan (\$52,000)	0.00%	16,900	2011	0	2,600	14,300	2,600
CT917 OPWC Loan (\$357,000)	0.00%	223,563	2017	0	17,885	205,678	17,885
CG720 OPWC Loan (\$84,000)	0.00%	4,200	2005	0	4,200	0	0
<b>Total Business-type Activities</b>		<u>2,465,872</u>		<u>0</u>	<u>202,082</u>	<u>2,263,790</u>	<u>209,416</u>
<b>Totals</b>		<u>\$ 2,524,422</u>			<u>\$ 215,997</u>	<u>\$ 2,308,425</u>	<u>\$ 223,824</u>

The Village has four Ohio Water Development Authority (OWDA) loans that relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. As of December 31, 2005, the balance is \$1,331,097, which will be repaid in semi-annual installments of principal and interest. Loan #1624 will be repaid in 2010, loan #2291 will be paid in 2014, loan #2292 will be paid in 2015, and loan #3499 will be paid in 2022. These loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has five Ohio Water Development Authority (OWDA) loans that relate to water system projects. As of December 31, 2005, the balance is \$722,215, which will be repaid in semi-annual installments of principal and interest. Loan #2748 will be paid in 2017, loan #2749 will be paid in 2018, loan #2750 will be paid in 2019, loan #3498 will be paid in 2021, and loan #3894 will be paid in 2023. These loans are secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF HIRAM, OHIO  
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(CONTINUED)**

NOTE 12: **DEBT** (Continued)

The Ohio Public Works Commission (OPWC) provides interest free loans to qualifying entities. The Village has three such loans with OPWC. The balance of \$219,978 is to be repaid in semi-annual payments of principal only. Loan #CT224 is for sewer and will be repaid in 2011. Loan #CT917 is for water and will be repaid in 2017. Loan #CG720 is for sewer and was repaid in 2005. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The following is a summary of the Village's future annual debt service requirements.

<u>Year</u>	<u>OWDA Loans</u>		<u>OPWC Loans</u>		<u>Middlefield Bank</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 188,931	\$ 66,984	\$ 20,485	\$ 0	\$ 14,408	\$ 1,562
2007	192,067	60,322	20,485	0	14,912	1,058
2008	203,567	53,326	20,485	0	15,315	536
2009	211,417	46,030	20,485	0	0	0
2010	220,503	38,370	20,485	0	0	0
2011-2015	1,005,312	98,097	90,725	0	0	0
2016-2020	22,015	1,808	26,828	0	0	0
Totals	<u>\$2,043,812</u>	<u>\$ 364,937</u>	<u>\$ 219,978</u>	<u>\$ 0</u>	<u>\$ 44,635</u>	<u>\$ 3,156</u>

NOTE 13: **LEASES**

The Village leases buildings, vehicles, and other equipment under non-cancellable leases. The Village disbursed \$3,432 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 3,432
2007	3,432
2008	<u>3,432</u>
Total	10,296
Less Amounts Representing Interest	<u>(1,462)</u>
Present Value of Net Lease Payments	<u>\$ 8,834</u>

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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**NOTE 14: INTERFUND TRANSFERS**

During 2005, the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund	<u>\$ 18,164</u>
Total Transfers from the General Fund	<u>\$ 18,164</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer made from the General Fund to the FEMA Grant Fund was for the Village's matching portion. In 2004, \$135 was transferred and then the additional \$18,164 was transferred in 2005 to make a total of \$18,299. This represents 10 percent of the \$182,990 FEMA grant that the Fire Department received.

**NOTE 15: CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

In 2005, there were no loans disbursements on the Garfield Water Main Replacement Project financed by OWDA.

**NOTE 16: CONTINGENT LIABILITIES**

The Village was not part of any lawsuits during 2005.

**NOTE 17: PUBLIC ENTITY RISK POOL**

The Village participates in the Ohio Municipal League's Joint Self Insurance Pool through Dawson Insurance Company. The Village also participates in the Ohio Municipal League's Workers' Compensation Group Rating Pool with Gates McDonald as the pool administrator.

The Ohio Municipal League was incorporated as an Ohio non-profit corporation in 1952 by City and Village officials who saw the need for a statewide association to serve the interests of Ohio municipal government. The Ohio Municipal League is governed by a Board of Trustees that is elected by the membership. The Board consists of all past presidents of the League, as long as they are municipal officials, and 28 trustees that are elected for two-year terms. Of the 28 trustees, at least one must be the mayor of a City or Village, a city manager, a fiscal officer or finance director, a solicitor or director of law, or a member of a municipal legislative body other than the mayor. The Board is the policy-making body and appoints an Executive Director to manage the League under their general direction.



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**NOTE 17: PUBLIC ENTITY RISK POOL (Continued)**

The Ohio Municipal Joint Self Insurance Pool was established in 1987 to provide municipal corporations with coverage in the areas of general liability, including public officials and police, auto liability, and property. The pool is an unincorporated tax exempt non-profit organization, governed by its member municipalities. The pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company.

The Workers' Compensation Group Rating Pool was established in 1991 as a result of a change in state law. This program offers members of the League who qualify for and join the pool an opportunity to reduce their annual workers' compensation premiums. In addition, members receive assistance with claims administration from Gates McDonald and Company, the plan administrator.

**NOTE 18: SUBSEQUENT EVENTS**

The Portage County Auditor has submitted to the Village the taxable values and the tax rates for tax year 2005 as follows:

	<u>2005</u>	<u>2004</u>
Total Valuation for all Taxable Property	\$11,457,830	\$ 10,607,420 (increase of \$850,410)
Total Tax Revenue Estimate	\$ 67,293	\$ 60,142 (increase of \$7,151)

After the expenses are paid from the tax receipts, the Village should see an approximate increase of \$6,500 from the above increase in valuation and rates.

**NOTE 19: RESTATEMENT OF FUND EQUITY**

The Village made the following fund equity adjustments in the 2005 fiscal period. These adjustments were reflected in the 2003 audit but were not recorded by the Village until 2005.

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Enterprise Fund</u>
Fund Balance, December 31, 2004	\$ 567,500	\$ 70,456	\$ 128,376
Transfer from Agency-Township EMS Fund	0	12,198	0
State Auditor Adjustments	37	0	8,496
Adjusted Fund Balance	<u>\$ 567,537</u>	<u>\$ 82,654</u>	<u>\$ 136,872</u>

*Financial Statements*  
*and Notes to the Financial Statements*  
*for the Year ended December 31, 2004*

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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The discussion and analysis of the Village of Hiram's (the Village) financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased from a 2003 year ending cash balance of \$535,054 to a year ending total net assets in 2004 of \$746,642, an increase of 40 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which substantially decreased costs in 2004; however, cost increases affected most funds.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 7 percent and 54 percent of the total general receipts for governmental activities during the year. Property tax receipts for 2004 changed very little compared to 2003, but income tax receipts increased by 11 percent due to the Coleman Recreation Center project at Hiram College.
- The Village received a Federal Emergency Management Association (FEMA) grant in the amount of \$182,991 through the efforts of the Fire Department. The Village's matching portion is \$18,299.
- The sewer and water operations, the Village's two business-type activities, ended the year with positive numbers. The Sewer Fund was aided by the Capital Improvement Fund in making the second payment on the large loan.
- The Village made the first of five payments on its ambulance purchase at Middlefield Bank in the amount of \$15,970. Two payments were made on the outstanding debt obligations to the Ohio Water Development Authority and the Ohio Public Works Commission. The water fund made payments of \$75,719, and the sewer fund made payments of \$126,876. Due to a shortfall of cash, the payment for December in the amount of \$75,853 was made from the Capital Improvement Fund and not from the Sewer Fund.
- The Village sought legal action to facilitate the movement of \$377,741 from the Capital Improvement Fund to the General Fund in the event these funds would be needed for the Village's day-to-day operations.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2004 within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources, such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

*Governmental Activities* Most of the Village's basic services are reported here, including police, fire, streets, and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

*Business-type Activities* The Village has two business-type activities: the provisions of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds, not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

*Governmental Funds* Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Ambulance Fund, and the FEMA Grant Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

*Proprietary Funds* When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds: the water fund and the sewer fund. Both are major funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund.

*Fiduciary Funds* Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has four fiduciary funds: Unclaimed Money, Beautification Commission, Retainage, and Township EMS.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2004 on a cash basis. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented, except for Table 1. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 1 - Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ 746,642	\$ 534,054	\$ 128,378	\$ 94,404	\$ 875,020	\$ 628,458
<b>Total Assets</b>	<b>\$ 746,642</b>	<b>\$ 534,054</b>	<b>\$ 128,378</b>	<b>\$ 94,404</b>	<b>\$ 875,020</b>	<b>\$ 628,458</b>
<b><u>Net Assets</u></b>						
Restricted for:						
Debt Service	\$ 244	\$ 244	\$ 0	\$ 0	\$ 244	\$ 244
Other Purposes	178,898	532,876	0	0	178,898	532,876
Unrestricted	567,500	934	128,378	94,404	695,878	95,338
<b>Total Net Assets</b>	<b>\$ 746,642</b>	<b>\$ 534,054</b>	<b>\$ 128,378</b>	<b>\$ 94,404</b>	<b>\$ 875,020</b>	<b>\$ 628,458</b>

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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As mentioned previously, net assets of governmental activities increased by \$211,588, or 40 percent, during 2004. The primary reasons contributing to the increase in cash balances are as follows:

- Freezes in salaries within the Village since 2003
- Coleman Recreation Center project increased the municipal income tax receipts by \$70,941
- In 2004, the Village's EMS was performing non-emergency transports that added to the increase in the governmental activities' revenues in the amount of \$31,870
- The Village pursued individuals that owed back income taxes and successfully collected approximately \$6,000
- The Hiram Fire Department received a grant from FEMA and \$164,827 was receipted in during 2004
- During 2004, the Village had a reduction in personnel with the loss of two full-time police officers.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

**Table 2 - Change in Net Assets**

	Governmental Activities	Business- Type Activities	Total
<b><u>Receipts</u></b>			
Program Receipts:			
Charges for Services and Sales	\$ 330,851	\$ 500,064	\$ 830,915
Operating Grants and Contributions	<u>21,580</u>	<u>0</u>	<u>21,580</u>
Total Program Receipts	<u>352,431</u>	<u>500,064</u>	<u>852,495</u>
General Revenues:			
Property and Other Local Taxes	63,237	0	63,237
Income Taxes	503,848	0	503,848
OPWC Grants	0	116,020	116,020
Grants and Entitlements Not Restricted to Specific Programs	314,741	0	314,741
Interest	19,564	1,303	20,867
Miscellaneous	39,190	3,518	42,708
Transfers	<u>(1,705)</u>	<u>1,705</u>	<u>0</u>
Total General Receipts	<u>938,875</u>	<u>122,546</u>	<u>1,061,421</u>
<b>Total Receipts</b>	<u>1,291,306</u>	<u>622,610</u>	<u>1,913,916</u>
<b><u>Disbursements</u></b>			
General Government	234,442	0	234,442
Security of Persons and Property	518,654	0	518,654
Public Health Services	136,418	0	136,418
Leisure Time Activities	325	0	325
Economic Development	2,779	0	2,779
Basic Utilities	3,010	0	3,010
Transportation	88,852	0	88,852
Capital Outlay	1,283	0	1,283
Principal Retirement	65,013	0	65,013
Interest and Fiscal Charges	26,810	0	26,810
Other	2,132	0	2,132
Water	0	324,114	324,114
Sewer	<u>0</u>	<u>264,522</u>	<u>264,522</u>
<b>Total Disbursements</b>	<u>1,079,718</u>	<u>588,636</u>	<u>1,668,354</u>
Increase in Net Assets	211,588	33,974	245,562
Net Assets - January 1	<u>535,054</u>	<u>94,404</u>	<u>629,458</u>
<b>Net Assets - December 31</b>	<u>\$ 746,642</u>	<u>\$ 128,378</u>	<u>\$ 875,020</u>



**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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Program receipts represent only 27 percent of total receipts of governmental activities and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax monies, cemetery lots and charges to Hiram Township for Fire/EMS services provided under contract. Contributions from Hiram College to the Police Department and the Fire Department are also included here.

General receipts represent 73 percent of the Village's total governmental receipts and, of this amount, over 60 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (33 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other governmental activities. These include the costs of Council, the Auditor, the Treasurer, the Income Tax Department, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 50 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the cost of the Health Department; Leisure Time Activities are the cost of maintaining the parks and playing fields; the Economic Development Department monitors and enforces the Village's zoning compliance; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public health services and security of persons and property, which account for 13 percent and 48 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 22 percent. The next three columns of the statement entitled "Program Receipts" identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. This "Net Receipt (Disbursement)" column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

**Table 3 - Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
General Government	\$ 234,442	\$ (213,786)
Security of Persons and Property	518,654	(322,191)
Public Health Services	136,418	(27,121)
Leisure Time Activities	325	(325)
Community Environment	2,779	(2,606)
Basic Utilities	3,010	(3,010)
Transportation	88,852	(63,010)
Capital Outlay	1,283	(1,283)
Principal Retirement	65,013	(65,013)
Interest and Fiscal Charges	26,810	(26,810)
Other	2,132	(2,132)
<b>Total Expenses - Governmental Activities</b>	<b><u>\$ 1,079,718</u></b>	<b><u>\$ (727,287)</u></b>

The dependence upon property and income tax receipts is apparent as over 52 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The sewer operation of the Village is also relatively small and reports receipts that are greater than the disbursements.

**The Village's Funds**

Total governmental funds had receipts of \$1,719,325 and disbursements of \$1,507,737. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$566,566 as a result of freezing costs for salaries and money being moved from the Capital Improvement Fund to the General Fund.

General Fund receipts were greater than disbursements by \$203,219 indicating that the General Fund is not in a deficit spending situation. It was the recommendation of the Finance Committee and the Village administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2005, including continued wage freezes throughout the Village. This adjustment will not eliminate the need for additional funds or additional cuts in the future if the growth in property remains stagnant and the income tax receipts begin to fall.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund in the General Fund.

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was significant due to higher than anticipated municipal income tax revenue.

Final disbursements were budgeted at \$737,468, while actual disbursements were \$683,047. Although receipts surpassed expectations, appropriations were not increased. The Village kept spending very close to budgeted amounts as demonstrated by the minor variances. The result is that actual disbursements were \$54,421 less than the final budget.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure because it operates on the cash basis of accounting.

**Debt**

At December 31, 2004, the Village's outstanding debt included \$2,479,262 in Ohio Water Development Authority and Ohio Public Works Commission outstanding principal and interest loan balances. There is a loan for an ambulance with Middlefield Bank with a balance of \$58,550 remaining in principal. The copier lease has an outstanding balance of \$17,916 as of December 31, 2004. See details in Note 13 to the financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited and, in some cases, shrinking funding. The Village relies heavily on local taxes and has no industry to support the tax base. In 2005, the Village will be facing the loss of the additional income tax receipts from the project at Hiram College and this will impact the General Fund significantly. Additionally, the Village faces the first full year without the income tax revenue from the Crestwood Elementary School as well as the closing of Pritchard Products. All departments have been instructed to closely monitor their spending.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Unaudited)**

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**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kay Ziska, Fiscal Officer, Village of Hiram, P.O. Box 65, Hiram, Ohio 44234.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 746,642	\$ 128,378	\$ 875,020
<b>Total Assets</b>	<b><u>\$ 746,642</u></b>	<b><u>\$ 128,378</u></b>	<b><u>\$ 875,020</u></b>
<b><u>Net Assets</u></b>			
Restricted for:			
Debt Service	\$ 244	\$ 0	\$ 244
Other Purposes	178,898	0	178,898
Unrestricted	<u>567,500</u>	<u>128,378</u>	<u>695,878</u>
<b>Total Net Assets</b>	<b><u>\$ 746,642</u></b>	<b><u>\$ 128,378</u></b>	<b><u>\$ 875,020</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
DECEMBER 31, 2004**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 518,654	\$ 196,463	\$ 0	\$ 164,692	\$ (157,499)	\$ 0	\$ (157,499)
Public Health Services	136,418	109,297	0	0	(27,121)	0	(27,121)
Leisure Time Activities	325	0	0	0	(325)	0	(325)
Community Environment	2,779	173	0	0	(2,606)	0	(2,606)
Basic Utility Services	3,010	0	0	0	(3,010)	0	(3,010)
Transportation	88,852	4,262	21,580	0	(63,010)	0	(63,010)
General Government	234,442	20,656	0	0	(213,786)	0	(213,786)
Capital Outlay	1,283	0	0	0	(1,283)	0	(1,283)
Debt Service:							
Principal	65,013	0	0	0	(65,013)	0	(65,013)
Interest	26,810	0	0	0	(26,810)	0	(26,810)
Other	2,132	0	0	0	(2,132)	0	(2,132)
<b>Total Governmental Activities</b>	<u>1,079,718</u>	<u>330,851</u>	<u>21,580</u>	<u>164,692</u>	<u>(562,595)</u>	<u>0</u>	<u>(562,595)</u>
<b>Business-type Activities</b>							
Water	324,114	187,003	0	116,020	0	(21,091)	(21,091)
Sewer	264,522	313,061	0	0	0	48,539	48,539
<b>Total Business-type Activities</b>	<u>588,636</u>	<u>500,064</u>	<u>0</u>	<u>116,020</u>	<u>0</u>	<u>27,448</u>	<u>27,448</u>
<b>Total Primary Government</b>	<u>\$ 1,668,354</u>	<u>\$ 830,915</u>	<u>\$ 21,580</u>	<u>\$ 280,712</u>	<u>(562,595)</u>	<u>27,448</u>	<u>(535,147)</u>
<b>General Receipts</b>							
Property Taxes					61,933	0	61,933
Municipal Income Taxes					503,848	0	503,848
Other Taxes					1,304	0	1,304
Grants and Entitlements Not Restricted to Special Programs					150,049	0	150,049
Earnings on Investments					19,564	1,303	20,867
Miscellaneous					39,190	3,518	42,708
<b>Total General Receipts</b>					<u>775,888</u>	<u>4,821</u>	<u>780,709</u>
Transfers					(1,705)	1,705	0
<b>Total General Receipts and Transfers</b>					<u>774,183</u>	<u>6,526</u>	<u>780,709</u>
Change in Net Assets					211,588	33,974	245,562
Net Assets - Beginning of Year					<u>535,054</u>	<u>94,404</u>	<u>629,458</u>
<b>Net Assets - End of Year</b>					<u>\$ 746,642</u>	<u>\$ 128,378</u>	<u>\$ 875,020</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF CASH ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>FEMA Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$ 567,500	\$ 70,456	\$ 38,003	\$ 70,683	\$ 746,642
<b>Total Assets</b>	<b><u>\$ 567,500</u></b>	<b><u>\$ 70,456</u></b>	<b><u>\$ 38,003</u></b>	<b><u>\$ 70,683</u></b>	<b><u>\$ 746,642</u></b>
<b><u>Fund Balances</u></b>					
Reserved:					
Reserved for Encumbrances	\$ 1,556	\$ 0	\$ 21,470	\$ 388	\$ 23,414
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	565,944	0	0	0	565,944
Special Revenue Funds	0	70,456	16,533	70,051	157,040
Debt Service Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>244</u>	<u>244</u>
<b>Total Fund Balances</b>	<b><u>\$ 567,500</u></b>	<b><u>\$ 70,456</u></b>	<b><u>\$ 38,003</u></b>	<b><u>\$ 70,683</u></b>	<b><u>\$ 746,642</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>FEMA Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Receipts</u></b>					
Property and Other Local Taxes	\$ 41,023	\$ 15,084	\$ 0	\$ 7,130	\$ 63,237
Municipal Income Taxes	490,850	0	0	12,998	503,848
Intergovernmental	137,744	2,705	164,692	31,180	336,321
Charges for Services	144,500	156,180	0	5,080	305,760
Fines, Licenses, and Permits	24,343	0	0	310	24,653
Earnings on Investments	18,558	452	0	554	19,564
Miscellaneous	<u>29,248</u>	<u>550</u>	<u>0</u>	<u>83</u>	<u>29,881</u>
<b>Total Receipts</b>	<u>886,266</u>	<u>174,971</u>	<u>164,692</u>	<u>57,335</u>	<u>1,283,264</u>
<b><u>Disbursements</u></b>					
Current:					
Security of Persons and Property	379,166	0	126,824	12,664	518,654
Public Health Services	0	120,048	0	16,370	136,418
Leisure Time Activities	325	0	0	0	325
Community Environment	2,779	0	0	0	2,779
Basic Utility Services	3,010	0	0	0	3,010
Transportation	63,550	0	0	25,302	88,852
General Government	234,217	225	0	0	234,442
Capital Outlay	0	0	0	1,283	1,283
Debt Service:					
Principal Retirement	0	13,450	0	51,563	65,013
Interest and Fiscal Charges	<u>0</u>	<u>2,520</u>	<u>0</u>	<u>24,290</u>	<u>26,810</u>
<b>Total Disbursements</b>	<u>683,047</u>	<u>136,243</u>	<u>126,824</u>	<u>131,472</u>	<u>1,077,586</u>
Excess of Receipts Over (Under) Disbursements	<u>203,219</u>	<u>38,728</u>	<u>37,868</u>	<u>(74,137)</u>	<u>205,678</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers In	377,888	32	135	391	378,446
Transfers Out	(2,409)	0	0	(377,742)	(380,151)
Advances In	20,000	30,000	0	0	50,000
Advances Out	(30,000)	(20,000)	0	0	(50,000)
Other Financing Sources (Uses)	<u>(2,132)</u>	<u>9,747</u>	<u>0</u>	<u>0</u>	<u>7,615</u>
<b>Total Other Financing Sources (Uses)</b>	<u>363,347</u>	<u>19,779</u>	<u>135</u>	<u>(377,351)</u>	<u>5,910</u>
Net Change in Fund Balances	566,566	58,507	38,003	(451,488)	211,588
Fund Balances - Beginning of Year	<u>934</u>	<u>11,949</u>	<u>0</u>	<u>522,171</u>	<u>535,054</u>
<b>Fund Balances - End of Year</b>	<u>\$ 567,500</u>	<u>\$ 70,456</u>	<u>\$ 38,003</u>	<u>\$ 70,683</u>	<u>\$ 746,642</u>

See accompanying notes to the basic financial statements.



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGET BASIS -  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 38,815	\$ 36,000	\$ 41,023	\$ 5,023
Municipal Income Taxes	374,339	394,339	490,850	96,511
Intergovernmental	109,160	108,802	137,744	28,942
Charges for Services	108,000	128,000	144,500	16,500
Fines, Licenses, and Permits	18,555	20,055	24,343	4,288
Earnings on Investments	14,900	12,626	18,558	5,932
Miscellaneous	0	26,095	29,248	3,153
<b>Total Receipts</b>	<u>663,769</u>	<u>725,917</u>	<u>886,266</u>	<u>160,349</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	332,961	419,113	379,166	39,947
Leisure Time Activities	730	730	325	405
Community Environment	2,799	2,799	2,779	20
Basic Utility Services	3,010	3,010	3,010	0
Transportation	67,453	67,453	63,550	3,903
General Government	182,409	244,363	234,217	10,146
<b>Total Disbursements</b>	<u>589,362</u>	<u>737,468</u>	<u>683,047</u>	<u>54,421</u>
Excess of Receipts Over (Under) Disbursements	<u>74,407</u>	<u>(11,551)</u>	<u>203,219</u>	<u>214,770</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	0	377,888	377,888	0
Transfers Out	(54,250)	(10,568)	(2,409)	8,159
Advances In	0	0	20,000	20,000
Advances Out	0	0	(30,000)	(30,000)
Other Financing Uses	0	(332,741)	(2,132)	330,609
<b>Total Other Financing Sources (Uses)</b>	<u>(54,250)</u>	<u>34,579</u>	<u>363,347</u>	<u>328,768</u>
Net Change in Fund Balance	20,157	23,028	566,566	543,538
Fund Balance - Beginning of Year	(15,983)	(15,983)	(15,983)	0
Prior Year Encumbrances Appropriated	16,917	16,917	16,917	0
<b>Fund Balance - End of Year</b>	<u>\$ 21,091</u>	<u>\$ 23,962</u>	<u>\$ 567,500</u>	<u>\$ 543,538</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGET BASIS -  
AMBULANCE/EMERGENCY MEDICAL SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 53,852	\$ 13,170	\$ 15,084	\$ 1,914
Intergovernmental	1,566	1,566	2,705	1,139
Charges for Services	26,500	119,998	156,180	36,182
Earnings on Investments	0	0	452	452
Miscellaneous	<u>0</u>	<u>0</u>	<u>550</u>	<u>550</u>
<b>Total Receipts</b>	<u>81,918</u>	<u>134,734</u>	<u>174,971</u>	<u>40,237</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	229	0	0	0
Public Health Services	69,367	129,463	120,048	9,415
General Government	500	500	225	275
Principal and Interest	<u>16,000</u>	<u>16,000</u>	<u>15,970</u>	<u>30</u>
<b>Total Disbursements</b>	<u>86,096</u>	<u>145,963</u>	<u>136,243</u>	<u>9,720</u>
Excess of Receipts Over (Under) Disbursements	<u>(4,178)</u>	<u>(11,229)</u>	<u>38,728</u>	<u>49,957</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	11,200	32	32	0
Transfers Out	(17,307)	0	0	0
Advances In	0	30,000	30,000	0
Advances Out	0	(30,000)	(20,000)	10,000
Other Financing Sources (Uses)	<u>0</u>	<u>9,747</u>	<u>9,747</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(6,107)</u>	<u>9,779</u>	<u>19,779</u>	<u>10,000</u>
Net Change in Fund Balance	<u>(10,285)</u>	<u>(1,450)</u>	<u>58,507</u>	<u>59,957</u>
Fund Balance - Beginning of Year	10,498	10,498	10,498	0
Prior Year Encumbrances Appropriated	<u>1,451</u>	<u>1,451</u>	<u>1,451</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,664</u>	<u>\$ 10,499</u>	<u>\$ 70,456</u>	<u>\$ 59,957</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGET BASIS -  
FEMA GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Intergovernmental	\$ 182,991	\$ 182,991	\$ 164,692	\$ (18,299)
<b>Total Receipts</b>	<u>182,991</u>	<u>182,991</u>	<u>164,692</u>	<u>(18,299)</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	<u>182,991</u>	<u>182,991</u>	<u>126,824</u>	<u>56,167</u>
<b>Total Disbursements</b>	<u>182,991</u>	<u>182,991</u>	<u>126,824</u>	<u>56,167</u>
Excess of Receipts Over (Under) Disbursements	<u>0</u>	<u>0</u>	<u>37,868</u>	<u>37,868</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	<u>0</u>	<u>0</u>	<u>135</u>	<u>135</u>
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>135</u>	<u>135</u>
Net Change in Fund Balance	0	0	38,003	38,003
Fund Balance - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,003</u>	<u>\$ 38,003</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004**

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	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 46,471	\$ 81,002	\$ 905	\$ 128,378
<b>Total Assets</b>	<u>\$ 46,471</u>	<u>\$ 81,002</u>	<u>\$ 905</u>	<u>\$ 128,378</u>
<b><u>Net Assets</u></b>				
Unrestricted	\$ 46,471	\$ 81,002	\$ 905	\$ 128,378
<b>Total Net Assets</b>	<u>\$ 46,471</u>	<u>\$ 81,002</u>	<u>\$ 905</u>	<u>\$ 128,378</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS -  
CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<b><u>Operating Receipts</u></b>				
Charges for Services	\$ 187,003	\$ 313,061	\$ 0	\$ 500,064
<b>Total Operating Receipts</b>	<u>187,003</u>	<u>313,061</u>	<u>0</u>	<u>500,064</u>
<b><u>Operating Disbursements</u></b>				
Personal Services	76,455	75,587	0	152,042
Employee Fringe Benefits	14,994	13,824	0	28,818
Contractual Services	59,392	37,772	0	97,164
Supplies and Materials	10,271	4,792	0	15,063
Other	8	9	0	17
<b>Total Operating Disbursements</b>	<u>161,120</u>	<u>131,984</u>	<u>0</u>	<u>293,104</u>
Operating Income (Loss)	<u>25,883</u>	<u>181,077</u>	<u>0</u>	<u>206,960</u>
<b><u>Non-Operating Receipts (Disbursements)</u></b>				
Earnings on Investments	419	884	0	1,303
OPWC Grants	116,020	0	0	116,020
Miscellaneous Receipts	3,318	200	0	3,518
Capital Outlay	(87,275)	(5,662)	0	(92,937)
Principal Payments	(60,039)	(89,774)	0	(149,813)
Interest and Fiscal Charges	(15,680)	(37,102)	0	(52,782)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>(43,237)</u>	<u>(131,454)</u>	<u>0</u>	<u>(174,691)</u>
Income (Loss before Transfers and Advances)	(17,354)	49,623	0	32,269
Transfers In	69,118	163,897	0	233,015
Transfers Out	(68,433)	(162,877)	0	(231,310)
Change in Net Assets	(16,669)	50,643	0	33,974
Net Assets - Beginning of Year	<u>63,140</u>	<u>30,359</u>	<u>905</u>	<u>94,404</u>
<b>Net Assets - End of Year</b>	<u>\$ 46,471</u>	<u>\$ 81,002</u>	<u>\$ 905</u>	<u>\$ 128,378</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

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	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 27,450
<b>Total Assets</b>	<u>\$ 27,450</u>
<b><u>Net Assets</u></b>	
Restricted for:	
Other Purposes	\$ 27,450
<b>Total Net Assets</b>	<u>\$ 27,450</u>

See accompanying notes to the basic financial statements.

*Notes to the Financial Statements*  
*for the Year ended December 31, 2004*

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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NOTE 1: **REPORTING ENTITY**

The Village of Hiram, 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 six-member Council elected at large for four year terms. The Mayor is elected to a four year term and votes only to break a tie.

The reporting entity is comprised of the primary government which is included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets, park operations, ambulance services, and police services. The Village appropriates General Fund money to support the Village fire department.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village does not have any component units.

The Village participates in one public entity risk pool. Note 18 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:  
Ohio Municipal Joint Self-Insurance Pool

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



**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(CONTINUED)**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted (GAAP) in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies:

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements* The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, investments, and all fund cash balances of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

*Government-wide Financial Statements* (Continued)

goods and services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

*Fund Financial Statements* During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. **Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, the Ambulance Fund, and the FEMA Grant Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The Ambulance Fund is the fund into which ambulance run fees are deposited, as well as the Village EMS levy monies. The FEMA Grant Fund received only grant monies during 2004. The balance as of December 31, 2004, in the Ambulance Fund and the FEMA Grant Fund was \$70,456 and \$38,003, respectively.

The General Fund balance is available to the Village for any purpose, provided it is expended or transferred according to the general laws of the State of Ohio. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

**Water Fund** - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Internal Service Fund** - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village's agency funds are: Unclaimed Money, Hiram Beautification Commission, Hiram Retainage, and the Hiram Township EMS.

C. **Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. **Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Process** (Continued)

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

E. **Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves, and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

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

During 2004, the Village invested in a certificate of deposit, a money market account, and a checking account. The certificate of deposit is reported at the amount reported by Middlefield Bank on December 31, 2004. The Village's money market account and checking account are recorded at the amount reported by Middlefield Bank on December 31, 2004.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or action of Council. Interest receipts credited to the General Fund during 2004 were \$18,558.

F. **Restricted Assets**

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets as of December 31, 2004, were \$178,898.

G. **Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The following advances were made during 2004:

Advances from the General Fund to:	
Major Governmental Fund:	
Ambulance Fund	\$ 30,000
Amount Repaid during 2004 from Ambulance Fund:	
Major Governmental Fund:	
General Fund	\$ 20,000
Outstanding Advances as of December 31, 2004:*	
Major Governmental Fund:	
Ambulance Fund	\$ 10,000

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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village has an EMS levy that is two mills and is directly deposited into the Ambulance Fund. The amount from this levy that was deposited in 2004 was \$12,355. These funds are appropriated to the Ambulance Fund.

The Village has two contracts with Hiram College. One contract is for services provided by the Village Police Department and the second contract is for services provided by the Village Fire Department. In 2004, the Police Department contract was \$30,000 and the Fire Department contract was \$24,000. These monies were deposited into the General Fund and appropriated to the Police Department and the Fire Department accordingly. The Village received \$51,963 from the contract with Hiram Township for EMS services and \$58,000 for fire protection services. The money for the EMS services was deposited into the Ambulance Fund and the money for fire protection was deposited into the General Fund.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance Reserves**

The Village reserves any portion of fund balances which are not available for appropriation or which are legally separate for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves that have been established for encumbrances in the governmental funds amount to \$23,414.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: **CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

In 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State's Office. In 2004, the Village implemented the reporting format of GASB Statement No. 34.

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

The Village of Hiram had no deficit fund balances at the end of 2004.

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual - Budgetary Basis presented for the General Fund, the Ambulance Fund, and the FEMA Grant Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$16,917 for the General Fund, \$1,451 for the Ambulance Fund, and \$0 for the FEMA Grant Fund. The outstanding advances at year end amounted to \$10,000 for the General Fund.



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(CONTINUED)**

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**NOTE 6: DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active deposits are public monies determined to be necessary to meet current demands on the Village treasury. Active monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities according to Ordinance 2003-31, "Exhibit A" which contains the Village's investment policy:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States, except stripped principal or interest obligations of such eligible obligations;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Certificates of deposit or savings or deposit accounts in Council-approved depositories.
4. Bonds and other obligations of the State of Ohio;

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

5. No-load money market mutual funds meeting minimum requirements set forth in Ohio Revised Code Section 135.01(O) and consisting exclusively of Treasury or Federal agency/instrumentality obligations or repurchase agreements secured by such obligations, providing such investments are made only through banks and savings and loan institutions authorized by Ohio Revised Code Section 135.03;
6. The State Treasurer's investment pool (STAROhio); and
7. Written repurchase agreements collateralized as required by Ohio Revised Code with Treasury or Federal agency/instrumentality obligations made through eligible institutions or eligible dealers. The time period of such agreements may be overnight or within a time period not to exceed thirty (30) days. The market value of the securities subject to the repurchase agreement must exceed the principal value of the term repurchase agreement by 2 percent, and such securities shall be marked to market daily. Up to 25 percent of interim monies available may be invested in commercial paper or bankers' acceptances after meeting requirements specified in Ohio Revised Code Section 135.14(B)(7).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged by the Village by Middlefield Bank, or by a collateral pool established by Middlefield Bank to secure the repayment of all public monies deposited with Middlefield Bank.

According to the Village's investment policy found in Ordinance 2003-31, Exhibit "A", the following are ineligible investments (except as used by STAROhio):

1. Derivative securities (financial instruments or contracts or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself);
2. Reverse repurchase agreements;
3. Local government investment pools;
4. Use of leverage (use of current investment assets as collateral for the purpose of purchasing other assets);
5. Issuance of taxable notes for the purpose of arbitrage;

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

6. Contracting to sell securities that have not yet been acquired;
7. Any other investment not specifically authorized.

**Deposits**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

At year end, the total amount of the Village's deposits was \$390,003, and the bank balance was \$512,319. Of the bank balance, \$200,000 was covered by Federal Depository Insurance and the balance was collateralized. Although all State statutory requirements for the deposit of money has been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$312,319 of the Village's bank balance of \$512,319 was exposed to custodial credit risk, as those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no depository policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments**

The Village has an investment policy that is detailed in Ordinance 2003-31, Exhibit "A". This policy is reviewed every two years. The stated purpose of the investment policy is to establish investment objectives of the Village in compliance with Federal, state, and local laws. Specifically, Chapter 135 of the Ohio Revised Code (the Uniform Depository Act) and Sections 731.55 through 731.59 of the Ohio Revised Code shall be adhered to at all times.

The Village does not have a section in its investment policy that deals with custodial risk.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

At December 31, 2004, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Money Market Account	\$ 512,467	1 Day
Total Investments	512,461	
Demand Deposits	<u>390,003</u>	
<b>Total Investments</b>	<b><u>\$ 902,470</u></b>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

*Credit Risk:* The Village's investments in FHLMC, FNMA, and FHLB were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Village's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Village. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the Village's name.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 7: INCOME TAXES**

The Village levies a 2 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village, as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of actual taxes paid to another city, or 100 percent of the 2 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village monthly. Corporations and other individual taxpayers are also required to pay their estimated tax quarterly and no reconciliation is required.

**NOTE 8: PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State Statute at 35 percent of appraised market values. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due February 14, with the remainder payable by July 15. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003 on the true value as of December 31, 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)**

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NOTE 8: **PROPERTY TAXES** (Continued)

The full tax rate for all Village operations for the year ended December 31, 2004, was \$9.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:	
Residential	\$ 6,642,010
Agricultural	407,750
Commercial/Industrial/Mineral	1,774,310
Public Utility Property:	
Real	0
Personal	517,720
Tangible Personal Property	<u>1,143,668</u>
Total Assessed Value	<u>\$10,485,458</u>

NOTE 9: **INTERFUND RECEIVABLES/PAYABLES**

Interfund balances at December 31, 2004, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Other Governmental Funds	\$ 10,000

The balance due to the General Fund includes loans made to provide working capital for operations or projects. All of these amounts are expected to be repaid within one year.

NOTE 10: **RISK MANAGEMENT**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements, and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurers be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained deficit at December 31, 2004 (the latest information available).

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 10: **RISK MANAGEMENT** (Continued)

	2004
Assets	\$ 2,309,178
Liabilities	<u>(3,343,299)</u>
Accumulated Deficit	<u>\$(1,034,121)</u>

Casualty excess-of-loss contracts at December 31, 2004, generally protect against individual losses exceeding \$3,000,000.

Property coverage contracts protect against losses, subject to a deductible of \$1,000, and limited to an annual aggregate loss of \$4,401,756.

The Village entered into a participation agreement with the Pool which provides for additional assessments to its members if contributions are insufficient to meet its obligations.

NOTE 11: **DEFINED BENEFIT PENSION PLANS**

A. **Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2004 was 13.55. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$70,446, \$66,133, and \$62,950, respectively; 100 percent has been contributed for 2004, 2003, and 2002. Contributions to the member directed plan for 2005 were \$266 made by the Village and \$167 made by the plan members.

B. **Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's contributions to the Fund for the years ended December 31, 2004, 2003, and 2002, were \$23,236, \$26,506, and \$27,847, respectively. The full amount has been contributed for 2004, 2003, and 2002.



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**NOTE 12: POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003 include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 355,287. Actual Village contributions for 2004 which were used to fund post-employment benefits were \$6,859. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**VILLAGE OF HIRAM, OHIO  
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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 12: **POST-EMPLOYMENT BENEFITS** (Continued)

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the OP&F funds shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2004 that were used to fund postemployment benefits were \$1,801 for police. The OP&F's total health care expenses for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,662 for police and 10,474 for firefighters.

**VILLAGE OF HIRAM, OHIO  
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(CONTINUED)**

**NOTE 13: DEBT**

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance at 12/31/2003	Maturity Date	Additions	Retirements	Balance at 12/31/2004	Due Within One Year
<b>Governmental Activities</b>							
Middlefield Bank (\$72,000)	3.5%	\$ 72,000	2008	\$ 0	\$ 13,450	\$ 58,550	\$ 13,915
<b>Total Governmental Activities</b>		<u>72,000</u>		<u>0</u>	<u>13,450</u>	<u>58,550</u>	<u>13,915</u>
<b>Business-type Activities</b>							
1624 OWDA Loan (\$406,721)	7.77%	213,678	2010	0	24,116	189,562	25,990
2291 OWDA Loan (\$2,161,237)	3.54%	1,372,333	2014	0	104,040	1,268,293	107,755
2292 OWDA Loan (\$13,418)	4.35%	(8,385)	2015	0	(1,045)	(7,340)	0
2748 OWDA Loan (\$286,860)	2.00%	205,738	2017	0	13,429	192,309	13,697
2749 OWDA Loan (\$174,173)	2.00%	132,910	2018	0	7,993	124,917	8,154
2750 OWDA Loan (\$190,957)	2.00%	154,638	2019	0	9,543	145,095	9,734
3498 OWDA Loan (\$266,110)	2.00%	249,617	2021	0	11,273	238,344	11,500
3499 OWDA Loan (\$15,581)	2.00%	14,615	2022	0	660	13,955	673
3894 OWDA Loan (\$59,779)	2.00%	58,556	2023	0	2,482	56,074	4,829
CT224 OPWC Loan (\$52,000)	0.00%	19,500	2011	0	2,600	16,900	2,600
CT917 OPWC Loan (\$357,000)	0.00%	241,448	2017	0	17,885	223,563	17,885
CG720 OPWC Loan (\$84,000)	0.00%	12,600	2005	0	8,400	4,200	4,200
<b>Total Business-type Activities</b>		<u>2,667,248</u>		<u>0</u>	<u>201,376</u>	<u>2,465,872</u>	<u>207,017</u>
<b>Totals</b>		<u>\$2,739,248</u>			<u>\$ 214,826</u>	<u>\$2,524,422</u>	<u>\$ 220,932</u>

The Village has four Ohio Water Development Authority (OWDA) loans related to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. As of December 31, 2004, the balance is of \$1,471,810 that will be repaid in semi-annual installments of principal and interest. Loan #1624 will be repaid in 2010, loan #2291 will be paid in 2014, loan #2292 will be paid in 2015, and loan #3499 will be paid in 2022. These loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has five Ohio Water Development Authority (OWDA) loans that relate to water system projects. As of December 31, 2005, the balance is \$770,129 that will be repaid in semi-annual installments of principal and interest. Loan #2748 will be paid in 2017, loan #2749 will be paid in 2018, loan #2750 will be paid in 2019, loan #3498 will be paid in 2021, and loan #3894 will be paid in 2023. These loans are secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(CONTINUED)**

NOTE 13: **DEBT** (Continued)

The Ohio Public Works Commission (OPWC) provides interest free loans to qualifying entities. The Village has three such loans with OPWC. The balance of \$244,663 is to be repaid in semi-annual payments of principal only. Loan #CT224 is for sewer and will be repaid in 2011. Loan #CT917 is for water and will be repaid in 2017. Loan #CG720 is for sewer and will be repaid in 2005. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The following is a summary of the Village's future annual debt service requirements.

<u>Year</u>	<u>OWDA Loans</u>		<u>OPWC Loans</u>		<u>Middlefield Bank</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 182,332	\$ 73,903	\$ 24,685	\$ 0	\$ 13,915	\$ 2,055
2006	188,931	66,984	20,485	0	14,408	1,562
2007	192,067	60,322	20,485	0	14,912	1,058
2008	203,567	53,326	20,485	0	15,315	536
2009	211,417	46,030	20,485	0	0	0
2010-2014	1,005,706	117,936	93,325	0	0	0
2015-2019	179,902	18,531	44,713	0	0	0
2020-2024	57,287	1,808	0	0	0	0
Totals	<u>\$2,221,209</u>	<u>\$ 438,840</u>	<u>\$ 244,663</u>	<u>\$ 0</u>	<u>\$ 58,550</u>	<u>\$ 5,211</u>

NOTE 14: **LEASES**

The Village leases buildings, vehicles, and other equipment under non-cancellable leases. The Village disbursed \$5,218 to pay lease costs for the year ended December 31, 2004. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 4,188
2006	3,432
2007	3,432
2008	3,432
2009	3,432
Total	17,916
Less Amounts Representing Interest	(2,544)
Present Value of Net Lease Payments	<u>\$ 15,372</u>

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(CONTINUED)**

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**NOTE 15: INTERFUND TRANSFERS**

During 2004, the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund	\$ 313
Other Governmental Funds	391
Major Enterprise Fund	<u>1,705</u>
Total Transfers from the General Fund	<u>\$ 2,409</u>

These transfers, with the exception of \$135 that was transferred to the FEMA Grant Fund, were for interest reallocation. The FEMA fund transfer was to reimburse the fund for expenses. In addition, the Village received a legal opinion and approval to transfer \$377,741 from the Capital Improvement Fund to the General Fund.

**NOTE 16: CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

In 2004, the Garfield Water Main Replacement Project took place. This project was financed by OWDA loan #3894. The disbursed funds on this loan as of December 31, 2004 were \$51,350.

**NOTE 17: PUBLIC ENTITY RISK POOL**

The Village participates in the Ohio Municipal League's Joint Self Insurance Pool through Dawson Insurance Company. The Village also participates in the Ohio Municipal League's Workers' Compensation Group Rating Pool with Gates McDonald as the pool administrator.

The Ohio Municipal League was incorporated as an Ohio non-profit corporation in 1952 by city and village officials who saw the need for a statewide association to serve the interests of Ohio municipal government. The Ohio Municipal League is governed by a Board of Trustees that is elected by the membership. The Board consists of all past presidents of the League, as long as they are municipal officials, and 28 trustees that are elected for two-year terms. Of the 28 trustees, at least one must be the mayor of a city or village, a city manager, a fiscal officer or finance director, a solicitor or director of law, or a member of a municipal legislative body other than the mayor. The Board is the policy-making body and appoints an Executive Director to manage the League under their general direction.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(CONTINUED)**

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NOTE 18: **PUBLIC ENTITY RISK POOL** (Continued)

The Ohio Municipal Joint Self Insurance Pool was established in 1987 to provide municipal corporations with coverage in the areas of general liability, including public officials and police, auto liability and property. The pool is an unincorporated tax exempt non-profit organization, governed by its member municipalities. The pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company.

The Workers' Compensation Group Rating Pool was established in 1991 as a result of a change in state law. This program offers members of the League who qualify for and join the pool an opportunity to reduce their annual workers' compensation premiums. In addition, members receive assistance with claims administration from Gates McDonald and Company, the plan administrator.

NOTE 19: **SUBSEQUENT EVENTS**

The Village was in an ongoing audit of the year 2003 that revealed a problem with some of the funds that were to come to the Village for the Fire Department. This audit was resolved in 2005. Beginning in 2005, the ongoing construction project of the Coleman Recreation Center at Hiram college will be completed by the summer and the village will lose the additional income tax from that project.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
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Garfield Hts., Ohio 44125

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To Members of Village Council  
Village of Hiram, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hiram, Ohio, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 23, 2007, which collectively comprise the Village of Hiram, Ohio's basic financial statements and have issued our report thereon dated May 23, 2007. The Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. 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 Financial Reporting**

In planning and performing our audit, we considered the Village of Hiram, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Hiram, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Hiram, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Hiram, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village of Hiram, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Village of Hiram, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Hiram, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Hiram, Ohio's 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 23, 2007



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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The prior audit report, as of December 31, 2003, included no citations. Management letter recommendations have been corrected and procedures instituted to prevent occurrences in this audit period.





Mary Taylor, CPA  
Auditor of State

VILLAGE OF HIRAM

PORTAGE 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  
SEPTEMBER 4, 2007