

**VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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



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, 2008 through December 31, 2009. 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

July 1, 2010

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**VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Members of Village Council
Village of Hiram, Ohio

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, Portage County, Ohio, as of and for the years ended December 31, 2009 and 2008, which collective 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.

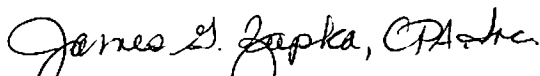
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the 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, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Ambulance Fund for the years then ended in conformity with the accounting basis described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2010, 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 for 2009 and pages 20 through 27 for 2008 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


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

June 11, 2010

**VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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, 2009, 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 2009 are as follows:

- Net assets of governmental activities increased by \$86,482, or 7 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Capital Improvement Fund, which realized the greatest percentage of increase in 2009. This fund received \$86,000 more than it expended in 2009. This large increase was due in part to a deposit of \$44,000 from the arrears owed by Hiram Township on its contract for EMS/Fire services from the Village's Fire Department. The Village transferred \$26,000 and the EMS Fund transferred \$16,000 into the Capital Improvement Fund.
- The Village's general receipts are primarily from property and income taxes. These receipts represent, respectively, 8 percent and 37 percent of the total cash received for governmental activities during the year. The withholdings increased from \$426,381 to \$427,243.
- 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 \$166,881, while the sewer operations ended the year with net assets of \$250,934.
- The Village's Fire Department received a grant from the Department of Homeland Security Federal Emergency Management Agency's Grant Program Directorate - Assistance to Firefighters Grant in the amount of \$52,718, including a match of \$2,635 to be paid by the Fire Department. The Village's Fire Department also received a State EMS grant in the amount of \$5,500, as well as a reimbursement of \$3,250 for the 2008 State Fire grant. Additionally, the Village's Fire Department received a grant from the Department of Homeland Security Federal Emergency Management Agency - Fire Prevention and Safety - Assistance to Firefighters Grant in the amount of \$12,000, with a \$600 match paid by the Fire Department.
- The Village was the recipient of two grants, a Community Development Block Grant in the amount of \$82,000 for the demolition of the old elementary school. The matching portion of that grant is \$82,000. The grant amount was later increased to \$113,000. Hopefully this also will reduce the Village's matching portion. A grant from Akron Metropolitan Area Transit in the amount of \$148,000 was received for a curb and gutter project on State Route 305. The Village paid \$5,800 towards its match in 2009.

**VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

- In 2009, the Police Department purchased a 2009 Dodge Charger to replace one of the cruisers. The purchase price was \$21,000 and the cost to outfit the vehicle was \$5,800. The total cost to the Village was \$26,800. Repairs were made to 11684 Hayden Street, 11613 Garfield Road, the Fire Station, and the Street Garage in the amount of \$43,416. Two new positions were created: a position for a part-time temporary Records Retention Clerk and a position for a part-time Administrative Assistant to the Mayor. The Village purchased a Kubota tractor for the Street Department in the amount of \$15,000.

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 monies 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, 2009
(Unaudited)**

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2009 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, the reader 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, the reader 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, the Village's financial activity is divided into two types of activities:

Governmental Activities Most of the Village's basic services are reported in governmental activities, 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, 2009
(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 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. This relationship is described 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. The Village has no internal service funds.

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 HRA reimbursement for Vantage.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Cash and Cash Equivalents	\$1,305,541	\$1,219,059	\$ 417,815	\$ 302,334	\$1,723,356	\$1,521,393
Total Assets	<u>\$1,305,541</u>	<u>\$1,219,059</u>	<u>\$ 417,815</u>	<u>\$ 302,334</u>	<u>\$1,723,356</u>	<u>\$1,521,393</u>
<u>Net Assets</u>						
Restricted for:						
Debt Service	\$ 244	\$ 244	\$ 0	\$ 0	\$ 244	\$ 244
Capital Projects	92,704	6,704	0	0	92,704	6,704
Other Purposes	238,056	213,932	0	0	238,056	213,932
Unrestricted	<u>974,537</u>	<u>998,179</u>	<u>417,815</u>	<u>302,334</u>	<u>1,392,352</u>	<u>1,300,513</u>
Total Net Assets	<u>\$1,305,541</u>	<u>\$1,219,059</u>	<u>\$ 417,815</u>	<u>\$ 302,334</u>	<u>\$1,723,356</u>	<u>\$1,521,393</u>

VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)

As mentioned previously, net assets of governmental activities increased by \$86,482, or 7 percent, during 2009. The primary reasons contributing to the increase in cash balances are as follows:

- The contract with Hiram Township expired and an increase was negotiated retroactively; \$44,000 was received by the Capital Improvement Fund for future equipment purchases.
- The EMS Fund received \$21,853 more than was spent.
- The Village received \$196,681 in intergovernmental monies as reflected in the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances Report. The largest contributor for this area was the Local Government Fund, \$97,220.

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities, business-type activities, and total primary government.

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Receipts						
Program Receipts:						
Charges for Services and Sales	\$ 377,397	\$ 323,844	\$ 745,943	\$ 653,062	\$1,123,340	\$ 976,906
Operating Grants and Contributions	79,845	13,400	0	0	79,845	13,400
Total Program Receipts	<u>457,242</u>	<u>337,244</u>	<u>745,943</u>	<u>653,062</u>	<u>1,203,185</u>	<u>990,306</u>
General Revenues:						
Property and Other						
Local Taxes	87,606	85,481	0	0	87,606	85,481
Income Taxes	427,243	426,381	0	0	427,243	426,381
Other Taxes	1,488	1,340	0	0	1,488	1,340
Grants and Entitlements Not Restricted to Specific Programs						
Cable Franchise Fees	116,836	210,190	0	0	116,836	210,190
Interest	4,234	4,669	0	0	4,234	4,669
Miscellaneous	40,575	49,413	466	0	41,041	49,413
Total General Receipts	27,735	53,544	969	369	28,704	53,913
Total Receipts	<u>1,162,959</u>	<u>1,168,262</u>	<u>747,378</u>	<u>653,431</u>	<u>1,910,337</u>	<u>1,821,693</u>
Disbursements						
General Government	272,118	257,341	0	0	272,118	257,341
Security of Persons and Property	403,614	363,562	0	0	403,614	363,562
Public Health Services	239,545	219,914	0	0	239,545	219,914
Leisure Time Activities	300	3,135	0	0	300	3,135
Community Environment	3,102	3,660	0	0	3,102	3,660
Basic Utilities	1,697	1,768	0	0	1,697	1,768
Transportation	123,157	113,586	0	0	123,157	113,586
Capital Outlay	32,944	111,296	0	0	32,944	111,296
Principal Retirement	0	15,315	0	0	0	15,315
Interest and Fiscal Charges	0	634	0	0	0	634
Water	0	0	260,039	243,613	260,039	243,613
Sewer	0	0	371,858	361,947	371,858	361,947
Total Disbursements	<u>1,076,477</u>	<u>1,090,211</u>	<u>631,897</u>	<u>605,560</u>	<u>1,708,374</u>	<u>1,695,771</u>
Increase in Net Assets	86,482	78,051	115,481	47,871	201,963	125,922
Net Assets - January 1	1,219,059	1,141,008	302,334	254,463	1,521,393	1,395,471
Net Assets - December 31	<u>\$1,305,541</u>	<u>\$1,219,059</u>	<u>\$ 417,815</u>	<u>\$ 302,334</u>	<u>\$1,723,356</u>	<u>\$1,521,393</u>

**VILLAGE OF HIRAM, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

Program receipts represent only 39 percent of total governmental receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax monies, contracts with Hiram College and Hiram Township, and court fines.

General receipts represent 61 percent of the Village’s total governmental receipts and, of this amount, over 73 percent are local taxes. State and federal grants and entitlements make up the balance of the Village’s general receipts (17 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, the Village tries 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

In the Statement of Activities, 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 38 percent and 25 percent of all governmental disbursements, respectively. Public Health Services 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. 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 is paid from monies 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, 2009
(Unaudited)**

Table 3 - Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
General Government	\$ 272,118	\$ (257,485)	\$ 257,341	\$ (241,214)
Security of Persons and Property	403,614	(115,577)	363,562	(116,562)
Public Health Services	239,545	(101,144)	219,914	(162,437)
Leisure Time Activities	300	(300)	3,135	(3,135)
Community Environment	3,102	(1,617)	3,660	(2,910)
Basic Utilities	1,697	(1,697)	1,768	(1,768)
Transportation	123,157	(108,471)	113,586	(97,696)
Capital Outlay	32,944	(32,944)	111,296	(111,296)
Principal and Interest Payments	<u>0</u>	<u>0</u>	<u>15,949</u>	<u>(15,949)</u>
Total Expenses	<u>\$ 1,076,477</u>	<u>\$ (619,235)</u>	<u>\$ 1,090,211</u>	<u>\$ (752,967)</u>

The dependence upon property and income tax receipts is apparent, as over 48 percent of governmental activities are supported through these general receipts.

Business-type Activities

According to the Statement of Activities, water operations at the Village received \$53,201 more than was expensed in 2009. The sewer operations at the Village received \$62,280 more than was expensed in 2009.

The Village's Funds

Total governmental funds had receipts of \$1,162,959 and disbursements of \$1,076,477, according to the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances for Governmental Funds Report. The greatest change within governmental funds occurred within Other Governmental Funds. The fund balance of the Capital Improvement Fund increased \$86,000 as the result of the additional retroactive monies (\$44,000) from the Fire/EMS contract with Hiram Township.

General Fund receipts were greater than disbursements by \$8,158 (before transfers), indicating that the General Fund is not in a deficit spending situation. It was the recommendation of the Village Finance Committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

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, 2009
(Unaudited)**

During 2009, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly above original budgeted receipts due to an increase in withholding receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$982,270, while actual disbursements were \$811,400. The Village kept spending in check, as demonstrated by the variance. The Village decreased the cash balance in the General Fund by \$23,642 at the end of 2009.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2009, the Village's outstanding debt consisted of \$1,400,915 in outstanding principal from loans to the Ohio Water Development Authority and Ohio Public Works Commission. For further information regarding the Village's debt, refer to Note 12 in the Notes 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 very little industry to support the tax base. The Village faces numerous problems: the need for additional revenue, vehicles that are reaching their mechanical limits, streets that need attention, and buildings that are in need of some considerations.

Contacting the Village's Financial Management

This financial report is designed to provide the Village's 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, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,305,541	\$ 417,815	\$ 1,723,356
Total Assets	<u>\$ 1,305,541</u>	<u>\$ 417,815</u>	<u>\$ 1,723,356</u>
<u>Net Assets</u>			
Restricted for:			
Capital Projects	\$ 92,704	\$ 0	\$ 92,704
Debt Service	244	0	244
Other Purposes	238,056	0	238,056
Unrestricted	<u>974,537</u>	<u>417,815</u>	<u>1,392,352</u>
Total Net Assets	<u>\$ 1,305,541</u>	<u>\$ 417,815</u>	<u>\$ 1,723,356</u>

See accompanying notes to the basic financial statements.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
DECEMBER 31, 2009

	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
Governmental Activities							
Security of Persons and Property	\$ 403,614	\$ 288,037	\$ 0	\$ 0	\$ (115,577)	\$ 0	\$ (115,577)
Public Health Services	239,545	69,845	68,556	0	(101,144)	0	(101,144)
Leisure Time Activities	300	0	0	0	(300)	0	(300)
Community Environment	3,102	1,485	0	0	(1,617)	0	(1,617)
Basic Utility Services	1,697	0	0	0	(1,697)	0	(1,697)
Transportation	123,157	3,397	11,289	0	(108,471)	0	(108,471)
General Government	272,118	14,633	0	0	(257,485)	0	(257,485)
Capital Outlay	32,944	0	0	0	(32,944)	0	(32,944)
Total Governmental Activities	<u>1,076,477</u>	<u>377,397</u>	<u>79,845</u>	<u>0</u>	<u>(619,235)</u>	<u>0</u>	<u>(619,235)</u>
Business-type Activities							
Water	260,039	312,645	0	0	0	52,606	52,606
Sewer	371,858	433,298	0	0	0	61,440	61,440
Total Business-type Activities	<u>631,897</u>	<u>745,943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>114,046</u>	<u>114,046</u>
Total Primary Government	<u>\$ 1,708,374</u>	<u>\$ 1,123,340</u>	<u>\$ 79,845</u>	<u>\$ 0</u>	<u>(619,235)</u>	<u>114,046</u>	<u>(505,189)</u>
General Receipts							
Property Taxes					87,606	0	87,606
Municipal Income Taxes					427,243	0	427,243
Other Taxes					1,488	0	1,488
Grants and Entitlements Not Restricted to Special Programs					116,836	0	116,836
Cable Franchise Fee					4,234	0	4,234
Earnings on Investments					40,575	466	41,041
Miscellaneous					27,735	969	28,704
Total General Receipts					<u>705,717</u>	<u>1,435</u>	<u>707,152</u>
Change in Net Assets					86,482	115,481	201,963
Net Assets - Beginning of Year					1,219,059	302,334	1,521,393
Net Assets - End of Year					<u>\$ 1,305,541</u>	<u>\$ 417,815</u>	<u>\$ 1,723,356</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, 2009**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 974,537	\$ 154,879	\$ 176,125	\$ 1,305,541
Total Assets	<u>\$ 974,537</u>	<u>\$ 154,879</u>	<u>\$ 176,125</u>	<u>\$ 1,305,541</u>
<u>Fund Balances</u>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 974,537	\$ 0	\$ 0	\$ 974,537
Special Revenue Funds	0	154,879	83,177	238,056
Debt Service Funds	0	0	244	244
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>92,704</u>	<u>92,704</u>
Total Fund Balances	<u>\$ 974,537</u>	<u>\$ 154,879</u>	<u>\$ 176,125</u>	<u>\$ 1,305,541</u>

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, 2009

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$ 68,568	\$ 19,038	\$ 4,885	\$ 92,491
Municipal Income Taxes	427,243	0	0	427,243
Intergovernmental	114,524	2,312	79,845	196,681
Charges for Services	140,912	168,270	48,700	357,882
Fines, Licenses, and Permits	19,977	0	375	20,352
Earnings on Investments	37,439	2,075	1,061	40,575
Miscellaneous	<u>10,895</u>	<u>0</u>	<u>16,840</u>	<u>27,735</u>
Total Receipts	<u>819,558</u>	<u>191,695</u>	<u>151,706</u>	<u>1,162,959</u>
Disbursements				
Current:				
Security of Persons and Property	402,509	0	1,105	403,614
Public Health Services	0	169,517	70,028	239,545
Leisure Time Activities	300	0	0	300
Community Environment	3,102	0	0	3,102
Basic Utility Services	1,697	0	0	1,697
Transportation	104,855	0	18,302	123,157
General Government	271,793	325	0	272,118
Capital Outlay	<u>27,144</u>	<u>0</u>	<u>5,800</u>	<u>32,944</u>
Total Disbursements	<u>811,400</u>	<u>169,842</u>	<u>95,235</u>	<u>1,076,477</u>
Excess of Receipts Over (Under) Disbursements	<u>8,158</u>	<u>21,853</u>	<u>56,471</u>	<u>86,482</u>
Other Financing Sources (Uses)				
Transfers In	0	0	31,800	31,800
Transfers Out	(31,800)	0	0	(31,800)
Advances In	5,500	0	5,500	11,000
Advances Out	<u>(5,500)</u>	<u>0</u>	<u>(5,500)</u>	<u>(11,000)</u>
Total Other Financing Sources (Uses)	<u>(31,800)</u>	<u>0</u>	<u>31,800</u>	<u>0</u>
Net Change in Fund Balances	(23,642)	21,853	88,271	86,482
Fund Balances - Beginning of Year	<u>998,179</u>	<u>133,026</u>	<u>87,854</u>	<u>1,219,059</u>
Fund Balances - End of Year	<u>\$ 974,537</u>	<u>\$ 154,879</u>	<u>\$ 176,125</u>	<u>\$ 1,305,541</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, 2009**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 67,800	\$ 66,725	\$ 68,568	\$ 1,843
Municipal Income Taxes	420,211	410,965	427,243	16,278
Intergovernmental	122,820	123,408	114,524	(8,884)
Charges for Services	150,100	150,100	140,912	(9,188)
Fines, Licenses, and Permits	22,000	25,660	19,977	(5,683)
Earnings on Investments	40,000	37,765	37,439	(326)
Miscellaneous	7,325	10,180	10,895	715
Total Receipts	<u>830,256</u>	<u>824,803</u>	<u>819,558</u>	<u>(5,245)</u>
<u>Disbursements</u>				
Current:				
Security of Persons and Property	423,890	443,890	402,509	41,381
Leisure Time Activities	4,500	4,500	300	4,200
Community Environment	10,200	10,200	3,102	7,098
Basic Utility Services	4,800	4,800	1,697	3,103
Transportation	105,600	120,600	104,855	15,745
General Government	309,227	371,080	271,793	99,287
Capital Outlay	0	27,200	27,144	56
Total Disbursements	<u>858,217</u>	<u>982,270</u>	<u>811,400</u>	<u>170,870</u>
Excess of Receipts Over (Under) Disbursements	<u>(27,961)</u>	<u>(157,467)</u>	<u>8,158</u>	<u>165,625</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	(36,000)	(36,000)	(31,800)	4,200
Advances In	0	5,500	5,500	0
Advances Out	0	(5,500)	(5,500)	0
Other Financing Uses	(58,600)	(58,600)	0	58,600
Total Other Financing Sources (Uses)	<u>(94,600)</u>	<u>(94,600)</u>	<u>(31,800)</u>	<u>62,800</u>
Net Change in Fund Balance	(122,561)	(252,067)	(23,642)	228,425
Fund Balance - Beginning of Year	<u>998,179</u>	<u>998,179</u>	<u>998,179</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 875,618</u>	<u>\$ 746,112</u>	<u>\$ 974,537</u>	<u>\$ 228,425</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, 2009**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 18,700	\$ 18,713	\$ 19,038	\$ 325
Intergovernmental	2,000	2,312	2,312	0
Charges for Services	160,164	158,852	168,270	9,418
Earnings on Investments	550	1,550	2,075	525
Miscellaneous	<u>50</u>	<u>50</u>	<u>0</u>	<u>(50)</u>
Total Receipts	<u>181,464</u>	<u>181,477</u>	<u>191,695</u>	<u>10,218</u>
<u>Disbursements</u>				
Current:				
Public Health Services	167,250	173,250	169,517	3,733
General Government	<u>500</u>	<u>500</u>	<u>325</u>	<u>175</u>
Total Disbursements	<u>167,750</u>	<u>173,750</u>	<u>169,842</u>	<u>3,908</u>
Excess of Receipts Over (Under) Disbursements	<u>13,714</u>	<u>7,727</u>	<u>21,853</u>	<u>14,126</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>(16,000)</u>	<u>(16,000)</u>	<u>0</u>	<u>16,000</u>
Total Other Financing Sources (Uses)	<u>(16,000)</u>	<u>(16,000)</u>	<u>0</u>	<u>16,000</u>
Net Change in Fund Balance	(2,286)	(8,273)	21,853	30,126
Fund Balance - Beginning of Year	<u>133,026</u>	<u>133,026</u>	<u>133,026</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 130,740</u>	<u>\$ 124,753</u>	<u>\$ 154,879</u>	<u>\$ 30,126</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, 2009**

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 166,881	\$ 250,934	\$ 417,815
Total Assets	<u>\$ 166,881</u>	<u>\$ 250,934</u>	<u>\$ 417,815</u>
<u>Net Assets</u>			
Unrestricted	\$ 166,881	\$ 250,934	\$ 417,815
Total Net Assets	<u>\$ 166,881</u>	<u>\$ 250,934</u>	<u>\$ 417,815</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, 2009**

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>Operating Receipts</u>			
Charges for Services	\$ 312,645	\$ 433,298	\$ 745,943
Total Operating Receipts	<u>312,645</u>	<u>433,298</u>	<u>745,943</u>
<u>Operating Disbursements</u>			
Personal Services	69,088	88,034	157,122
Employee Fringe Benefits	18,134	20,700	38,834
Contractual Services	71,896	52,603	124,499
Supplies and Materials	24,117	15,106	39,223
Total Operating Disbursements	<u>183,235</u>	<u>176,443</u>	<u>359,678</u>
Operating Income	<u>129,410</u>	<u>256,855</u>	<u>386,265</u>
<u>Non-Operating Receipts (Disbursements)</u>			
Earnings on Investments	111	355	466
Miscellaneous Receipts	484	485	969
Principal Payments	(65,413)	(162,381)	(227,794)
Interest and Fiscal Charges	<u>(11,391)</u>	<u>(33,034)</u>	<u>(44,425)</u>
Total Non-Operating Receipts (Disbursements)	<u>(76,209)</u>	<u>(194,575)</u>	<u>(270,784)</u>
Change in Net Assets	53,201	62,280	115,481
Net Assets - Beginning of Year	<u>113,680</u>	<u>188,654</u>	<u>302,334</u>
Net Assets - End of Year	<u>\$ 166,881</u>	<u>\$ 250,934</u>	<u>\$ 417,815</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, 2009**

	<u>Agency Fund</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 24,268
Total Assets	<u>\$ 24,268</u>
<u>Net Assets</u>	
Restricted for:	
Other Purposes	\$ 24,268
Total Net Assets	<u>\$ 24,268</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)**

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, 2008, 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 2008 are as follows:

- Net assets of governmental activities increased by \$78,051, or 7 percent, a significant change from 2007. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest percentage increase during 2008. The General Fund received \$185,381 more than it expended, before transfers, in 2008. This created an increase of 19 percent in the General Fund balance. A large decrease of 90 percent in the Capital Improvement Fund was due to the Village's purchase of a new ambulance for the Fire Department
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 7 percent and 36 percent of the total cash received for governmental activities during the year. The withholdings increased from \$381,283 to \$426,381, due to construction projects at Hiram College.
- 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 \$113,680, while the sewer operations ended the year with net assets of \$188,654.
- The Village's Fire Department received a grant from the Department of Homeland Security Federal Emergency Management Agency's National Preparedness Directorate - Assistance to Firefighters Grant in the amount of \$77,500. Only \$10,830 was received during 2007. The remainder of the grant, \$62,824, was received in 2008. The remaining match was paid by the Fire Department. The Department also received a \$2,300 State Fire Grant and a \$5,500 State EMS grant, both of which were received during 2008.
- In 2008, the Fire Department purchased a 2003 Fore Crown Victoria to be used instead of relying on the existing pick-up truck for short trips. The Village purchased a 2008 Ford XL Wheeled Coach ambulance from Mid-Bus for \$111,296 from the Capital Improvement Fund.

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, 2008
(Unaudited)**

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 2008, 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, 2008
(Unaudited)**

These statements report the Village's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, the reader 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, the reader 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, the Village's activities are divided into two types of activities:

Governmental Activities Most of the Village's basic services are reported in governmental activities, 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.

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. This relationship is described in reconciliations presented with the governmental fund financial statements.

**VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(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. The Village has no internal service funds.

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 HRA Reimbursement from Vantage.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis.

Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>						
Cash and Cash Equivalents	\$1,219,059	\$1,141,008	\$ 302,334	\$ 254,463	\$1,521,393	\$1,395,471
Total Assets	\$1,219,059	\$1,141,008	\$ 302,334	\$ 254,463	\$1,521,393	\$1,395,471
<u>Net Assets</u>						
Restricted for:						
Debt Service	\$ 244	\$ 244	\$ 0	\$ 0	\$ 244	\$ 244
Capital Projects	6,704	67,000	0	0	6,704	67,000
Other Purposes	213,932	234,966	0	0	213,932	234,966
Unrestricted	<u>998,179</u>	<u>838,798</u>	<u>302,334</u>	<u>254,463</u>	<u>1,300,513</u>	<u>1,093,261</u>
Total Net Assets	\$1,219,059	\$1,141,008	\$ 302,334	\$ 254,463	\$1,521,393	\$1,395,471

As mentioned previously, net assets of governmental activities increased by \$78,051, or 7 percent, during 2008. The primary reasons contributing to the increase in cash balances are as follows:

- The Village received \$8,251 in Inheritance Tax.
- The municipal income tax receipts increased 12 percent over 2007, largely due to a construction project at Hiram College.
- The Village received \$223,590 in intergovernmental funds in 2008. The largest contributor was the Local Government Fund, \$104,993.

Table 2 reflects the changes in net assets in 2008 and 2007 for governmental activities, business-type activities, and total primary government.

VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)

Table 2 - Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Receipts</u>						
Program Receipts:						
Charges for Services and Sales	\$ 323,844	\$ 326,118	\$ 653,062	\$ 652,678	\$ 976,906	\$ 978,796
Operating Grants and Contributions	<u>13,400</u>	<u>14,495</u>	<u>0</u>	<u>0</u>	<u>13,400</u>	<u>14,495</u>
Total Program Receipts	<u>337,244</u>	<u>340,613</u>	<u>653,062</u>	<u>652,678</u>	<u>990,306</u>	<u>993,291</u>
General Revenues:						
Property and Other						
Local Taxes	85,481	84,536	0	0	85,481	84,536
Income Taxes	426,381	381,282	0	0	426,381	381,282
Other Taxes	1,340	1,560	0	0	1,340	1,560
Grants and Entitlements Not Restricted to Specific Programs						
Cable Franchise Fee	210,190	200,961	0	0	210,190	200,961
Sale of Capital Assets	4,669	4,244	0	0	4,669	4,244
Interest	0	1,198	0	1,923	0	3,121
Miscellaneous	49,413	37,019	0	0	49,413	37,019
	<u>53,544</u>	<u>56,545</u>	<u>369</u>	<u>17,108</u>	<u>53,913</u>	<u>73,653</u>
Total General Receipts	<u>831,018</u>	<u>767,345</u>	<u>369</u>	<u>19,031</u>	<u>831,387</u>	<u>786,376</u>
Total Receipts	<u>1,168,262</u>	<u>1,107,958</u>	<u>653,431</u>	<u>671,709</u>	<u>1,821,693</u>	<u>1,779,667</u>
<u>Disbursements</u>						
General Government Security of Persons and Property	257,341	235,843	0	0	257,341	235,843
Public Health Services	363,562	383,400	0	0	363,562	383,400
Leisure Time Activities	219,914	161,538	0	0	219,914	161,538
Community Environment	3,135	372	0	0	3,135	372
Basic Utilities	3,660	3,404	0	0	3,660	3,404
Transportation	1,768	1,490	0	0	1,768	1,490
Capital Outlay	113,586	101,120	0	0	113,586	101,120
Principal Retirement	111,296	44,090	0	0	111,296	44,090
Interest and Fiscal Charges	15,315	14,912	0	0	15,315	14,912
Water	634	1,058	0	0	634	1,058
Sewer	0	0	243,613	274,980	243,613	274,980
	<u>0</u>	<u>0</u>	<u>361,947</u>	<u>365,855</u>	<u>361,947</u>	<u>365,855</u>
Total Disbursements	<u>1,090,211</u>	<u>947,227</u>	<u>605,560</u>	<u>640,835</u>	<u>1,695,771</u>	<u>1,588,062</u>
Increase in Net Assets	78,051	160,731	47,871	30,874	125,922	191,605
Net Assets - January 1	<u>1,141,008</u>	<u>980,277</u>	<u>254,463</u>	<u>223,589</u>	<u>1,395,471</u>	<u>1,203,866</u>
Net Assets - December 31	<u>\$1,219,059</u>	<u>\$1,141,008</u>	<u>\$ 302,334</u>	<u>\$ 254,463</u>	<u>\$1,521,393</u>	<u>\$1,395,471</u>

**VILLAGE OF HIRAM, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)**

Program receipts represent only 29 percent of total receipts and are primarily comprised of restricted intergovernmental receipts, such as motor vehicle license and gas tax money, contracts with Hiram College and Hiram Township, and court fines.

General receipts represent 71 percent of the Village’s total governmental receipts and, of this amount, over 62 percent are local taxes. State and federal grants and entitlements make up the balance of the Village’s general receipts (25 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, the Village tries 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 costs 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

In the Statement of Activities, 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 33 percent and 24 percent of all governmental disbursements, respectively. Public Health Services also represents a significant cost, about 20 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 is 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, 2008
(Unaudited)**

Table 3 - Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$ 257,341	\$ (241,214)	\$ 235,843	\$ (216,673)
Security of Persons and Property	363,562	(116,562)	383,400	(142,320)
Public Health Services	219,914	(162,437)	161,538	(99,038)
Leisure Time Activities	3,135	(3,135)	372	(372)
Community Environment	3,660	(2,910)	3,404	(2,342)
Basic Utilities	1,768	(1,768)	1,490	(1,490)
Transportation	113,586	(97,696)	101,120	(84,319)
Capital Outlay	111,296	(111,296)	44,090	(44,090)
Principal Retirement	15,949	(15,949)	15,970	(15,970)
Total Expenses - Governmental Activities	<u>\$ 1,090,211</u>	<u>\$ (752,967)</u>	<u>\$ 947,227</u>	<u>\$ (606,614)</u>

The dependence upon property and income tax receipts is apparent as over 47 percent of governmental activities are supported through these general receipts.

Business-type Activities

According to the Statement of Activities, the water operation of the Village received \$35,385 more than the amount spent, and the sewer operations received \$12,117 more than the amount spent in 2008. The second weir at the sewer plant was replaced. Repairs were also made to the #1 well house. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded.

The Village's Funds

Total governmental funds had receipts of \$1,168,262 and disbursements of \$1,090,211. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$159,381 as a result of increased withholding payments and conservative spending, which attributed to the General Fund's excellent cash position at year-end.

General Fund receipts were greater than disbursements by \$185,381 (before transfers) 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.

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.

**VILLAGE OF HIRAM, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)**

During 2008, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly above original budgeted receipts due to an increase in withholding receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$798,105, while actual disbursements were \$681,398. The Village kept spending in check as demonstrated by the variance. The cash balance in the General Fund increased by \$159,381 over the cash balance at the end of 2008.

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, 2008, the Village's outstanding debt consisted of \$1,628,709 in outstanding principal from loans to the Ohio Water Development Authority and Ohio Public Works Commission. The loan at Middlefield Bank for the EMS squad was paid off in January 2008. For further information regarding the Village's debt, refer to Note 12 in the Notes 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. The Village faces numerous problems: the need for additional revenue, vehicles that are reaching their mechanical limits, streets that need attention, and buildings that are in need of some considerations.

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, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,219,059	\$ 302,334	\$ 1,521,393
Total Assets	<u>\$ 1,219,059</u>	<u>\$ 302,334</u>	<u>\$ 1,521,393</u>
<u>Net Assets</u>			
Restricted for:			
Capital Projects	\$ 6,704	\$ 0	\$ 6,704
Debt Service	244	0	244
Other Purposes	213,932	0	213,932
General	<u>998,179</u>	<u>302,334</u>	<u>1,300,513</u>
Total Net Assets	<u>\$ 1,219,059</u>	<u>\$ 302,334</u>	<u>\$ 1,521,393</u>

See accompanying notes to the basic financial statements.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
DECEMBER 31, 2008

	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
Governmental Activities							
Security of Persons and Property	\$ 363,562	\$ 247,000	\$ 0	\$ 0	\$ (116,562)	\$ 0	\$ (116,562)
Public Health Services	219,914	57,477	0	0	(162,437)	0	(162,437)
Leisure Time Activities	3,135	0	0	0	(3,135)	0	(3,135)
Community Environment	3,660	750	0	0	(2,910)	0	(2,910)
Basic Utility Services	1,768	0	0	0	(1,768)	0	(1,768)
Transportation	113,586	2,490	13,400	0	(97,696)	0	(97,696)
General Government	257,341	16,127	0	0	(241,214)	0	(241,214)
Capital Outlay	111,296	0	0	0	(111,296)	0	(111,296)
Debt Service:							
Principal	15,315	0	0	0	(15,315)	0	(15,315)
Interest	634	0	0	0	(634)	0	(634)
Total Governmental Activities	<u>1,090,211</u>	<u>323,844</u>	<u>13,400</u>	<u>0</u>	<u>(752,967)</u>	<u>0</u>	<u>(752,967)</u>
Business-type Activities							
Water	243,613	278,998	0	0	0	35,385	35,385
Sewer	361,947	374,064	0	0	0	12,117	12,117
Total Business-type Activities	<u>605,560</u>	<u>653,062</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,502</u>	<u>47,502</u>
Total Primary Government	<u>\$ 1,695,771</u>	<u>\$ 976,906</u>	<u>\$ 13,400</u>	<u>\$ 0</u>	<u>(752,967)</u>	<u>47,502</u>	<u>(705,465)</u>
General Receipts							
Property Taxes					85,481	0	85,481
Municipal Income Taxes					426,381	0	426,381
Other Taxes					1,340	0	1,340
Grants and Entitlements Not Restricted to Special Programs					210,190	0	210,190
Cable Franchise Fees					4,669	0	4,669
Earnings on Investments					49,413	0	49,413
Miscellaneous					53,544	369	53,913
Total General Receipts					<u>831,018</u>	<u>369</u>	<u>831,387</u>
Change in Net Assets					78,051	47,871	125,922
Net Assets - Beginning of Year					<u>1,141,008</u>	<u>254,463</u>	<u>1,395,471</u>
Net Assets - End of Year					<u>\$ 1,219,059</u>	<u>\$ 302,334</u>	<u>\$ 1,521,393</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, 2008**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 998,179	\$ 133,026	\$ 6,704	\$ 81,150	\$ 1,219,059
Total Assets	<u>\$ 998,179</u>	<u>\$ 133,026</u>	<u>\$ 6,704</u>	<u>\$ 81,150</u>	<u>\$ 1,219,059</u>
<u>Fund Balances</u>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 998,179	\$ 0	\$ 0	\$ 0	\$ 998,179
Special Revenue Funds	0	133,026	0	80,906	213,932
Debt Service Fund	0	0	0	244	244
Capital Projects Fund	<u>0</u>	<u>0</u>	<u>6,704</u>	<u>0</u>	<u>6,704</u>
Total Fund Balances	<u>\$ 998,179</u>	<u>\$ 133,026</u>	<u>\$ 6,704</u>	<u>\$ 81,150</u>	<u>\$ 1,219,059</u>

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, 2008**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Receipts</u>					
Property and Other Local Taxes	\$ 66,905	\$ 18,576	\$ 0	\$ 3,830	\$ 89,311
Municipal Income Taxes	426,381	0	0	0	426,381
Intergovernmental	130,936	2,180	0	90,474	223,590
Charges for Services	147,000	152,117	0	5,360	304,477
Fines, Licenses, and Permits	21,546	0	0	0	21,546
Earnings on Investments	47,366	515	0	1,532	49,413
Miscellaneous	<u>26,645</u>	<u>59</u>	<u>25,000</u>	<u>1,840</u>	<u>53,544</u>
Total Receipts	<u>866,779</u>	<u>173,447</u>	<u>25,000</u>	<u>103,036</u>	<u>1,168,262</u>
<u>Disbursements</u>					
Current:					
Security of Persons and Property	360,917	0	0	2,645	363,562
Public Health Services	0	148,971	0	70,943	219,914
Leisure Time Activities	3,135	0	0	0	3,135
Community Environment	3,660	0	0	0	3,660
Basic Utility Services	1,768	0	0	0	1,768
Transportation	90,416	0	0	23,170	113,586
General Government	221,502	316	0	35,523	257,341
Capital Outlay	0	0	111,296	0	111,296
Debt Service:					
Principal Retirement	0	15,315	0	0	15,315
Interest and Fiscal Charges	<u>0</u>	<u>634</u>	<u>0</u>	<u>0</u>	<u>634</u>
Total Disbursements	<u>681,398</u>	<u>165,236</u>	<u>111,296</u>	<u>132,281</u>	<u>1,090,211</u>
Excess of Receipts Over (Under) Disbursements	<u>185,381</u>	<u>8,211</u>	<u>(86,296)</u>	<u>(29,245)</u>	<u>78,051</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	26,000	0	26,000
Transfers Out	<u>(26,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,000)</u>
Total Other Financing Sources (Uses)	<u>(26,000)</u>	<u>0</u>	<u>26,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	159,381	8,211	(60,296)	(29,245)	78,051
Fund Balances - Beginning of Year	<u>838,798</u>	<u>124,815</u>	<u>67,000</u>	<u>110,395</u>	<u>1,141,008</u>
Fund Balances - End of Year	<u>\$ 998,179</u>	<u>\$ 133,026</u>	<u>\$ 6,704</u>	<u>\$ 81,150</u>	<u>\$ 1,219,059</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, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 88,814	\$ 66,905	\$ 66,905	\$ 0
Municipal Income Taxes	421,605	421,605	426,381	4,776
Intergovernmental	135,252	137,464	130,936	(6,528)
Charges for Services	141,080	145,122	147,000	1,878
Fines, Licenses, and Permits	24,675	26,889	21,546	(5,343)
Earnings on Investments	36,000	45,724	47,366	1,642
Miscellaneous	11,400	25,306	26,645	1,339
Total Receipts	<u>858,826</u>	<u>869,015</u>	<u>866,779</u>	<u>(2,236)</u>
<u>Disbursements</u>				
Current:				
Security of Persons and Property	381,071	387,792	360,917	26,875
Leisure Time Activities	3,750	3,750	3,135	615
Community Environment	4,500	8,501	3,660	4,841
Basic Utility Services	4,000	4,000	1,768	2,232
Transportation	96,000	96,000	90,416	5,584
General Government	288,364	298,062	221,502	76,560
Total Disbursements	<u>777,685</u>	<u>798,105</u>	<u>681,398</u>	<u>116,707</u>
Excess of Receipts Over (Under) Disbursements	<u>81,141</u>	<u>70,910</u>	<u>185,381</u>	<u>114,471</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	(36,000)	(36,270)	(26,000)	10,270
Other Financing Uses	(50,000)	(50,000)	0	50,000
Total Other Financing Sources (Uses)	<u>(86,000)</u>	<u>(86,270)</u>	<u>(26,000)</u>	<u>60,270</u>
Net Change in Fund Balance	(4,859)	(15,360)	159,381	174,741
Fund Balance - Beginning of Year	836,159	836,159	836,159	0
Prior Year Encumbrances Appropriated	<u>2,639</u>	<u>2,639</u>	<u>2,639</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 833,939</u>	<u>\$ 823,438</u>	<u>\$ 998,179</u>	<u>\$ 174,741</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, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 25,310	\$ 21,266	\$ 18,576	\$ (2,690)
Intergovernmental	2,150	2,196	2,180	(16)
Charges for Services	168,311	168,261	152,117	(16,144)
Earnings on Investments	550	550	515	(35)
Miscellaneous	<u>2,050</u>	<u>2,100</u>	<u>59</u>	<u>(2,041)</u>
Total Receipts	<u>198,371</u>	<u>194,373</u>	<u>173,447</u>	<u>(20,926)</u>
<u>Disbursements</u>				
Current:				
Public Health Services	157,680	158,701	148,971	9,730
General Government	350	350	316	34
Capital Outlay	16,970	0	0	0
Debt Service:				
Principal Retirement	0	15,387	15,315	72
Interest and Fiscal Charges	<u>0</u>	<u>562</u>	<u>634</u>	<u>(72)</u>
Total Disbursements	<u>175,000</u>	<u>175,000</u>	<u>165,236</u>	<u>9,764</u>
Net Change in Fund Balance	23,371	19,373	8,211	(11,162)
Fund Balance - Beginning of Year	124,119	124,119	124,119	0
Prior Year Encumbrances Appropriated	<u>696</u>	<u>696</u>	<u>696</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 148,186</u>	<u>\$ 144,188</u>	<u>\$ 133,026</u>	<u>\$ (11,162)</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, 2008**

	Business-Type Activities		
	Water Fund	Sewer Fund	Total Proprietary Funds
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 113,680	\$ 188,654	\$ 302,334
Total Assets	<u>\$ 113,680</u>	<u>\$ 188,654</u>	<u>\$ 302,334</u>
<u>Net Assets</u>			
Restricted for:			
Other Purposes	\$ 113,680	\$ 188,654	\$ 302,334
Total Net Assets	<u>\$ 113,680</u>	<u>\$ 188,654</u>	<u>\$ 302,334</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, 2008**

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>Operating Receipts</u>			
Charges for Services	\$ 278,998	\$ 374,064	\$ 653,062
Total Operating Receipts	<u>278,998</u>	<u>374,064</u>	<u>653,062</u>
<u>Operating Disbursements</u>			
Personal Services	73,185	73,144	146,329
Employee Fringe Benefits	19,656	19,448	39,104
Contractual Services	55,681	45,528	101,209
Supplies and Materials	20,199	28,663	48,862
Total Operating Disbursements	<u>168,721</u>	<u>166,783</u>	<u>335,504</u>
Operating Income (Loss)	<u>110,277</u>	<u>207,281</u>	<u>317,558</u>
<u>Non-Operating Receipts (Disbursements)</u>			
Miscellaneous Receipts	336	33	369
Capital Outlay	(925)	0	(925)
Principal Payments	(62,580)	(155,563)	(218,143)
Interest and Fiscal Charges	(11,387)	(39,601)	(50,988)
Total Non-Operating Receipts (Disbursements)	<u>(74,556)</u>	<u>(195,131)</u>	<u>(269,687)</u>
Change in Net Assets	35,721	12,150	47,871
Net Assets - Beginning of Year	<u>77,959</u>	<u>176,504</u>	<u>254,463</u>
Net Assets - End of Year	<u>\$ 113,680</u>	<u>\$ 188,654</u>	<u>\$ 302,334</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, 2008**

	<u>Agency Fund</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 25,420
Total Assets	<u>\$ 25,420</u>
<u>Net Assets</u>	
Restricted for:	
Other Purposes	\$ 25,420
Total Net Assets	<u>\$ 25,420</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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 YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

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 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

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NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

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

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

Government-wide Financial Statements (Continued)

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, 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 proprietary 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.

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(CONTINUED)

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 General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

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.

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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 HRA reimbursement from Vantage.

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 the 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 and the related expenses) 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.

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FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
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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 object 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 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.

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NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

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

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

During 2009 and 2008, the Village invested in certificates 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, 2009 and December 31, 2008.

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 2009 and 2008 were \$37,439 and \$47,366, respectively.

F. **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.

There was an advance made in 2009 by the General Fund to the State EMS Fund for \$5,500. This advance was repaid in 2009.

G. **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.

H. **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 use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. No fund balance reserves have been established for encumbrances for 2009 and 2008.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

Accountability

The Village had no deficit fund balances at the end of 2009 and 2008.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

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), if applicable.

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 2009-24, 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;

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

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

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;
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.

At December 31, 2009 and December 31, 2008, the Village had no cash on hand.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

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

Deposits

At December 31, 2009, the total amount of the Village's deposits was \$765,085, and the bank balance was \$786,477. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. Although all State statutory requirements for the deposit of money have 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 December 31, 2009, \$536,477 of the Village's bank balance of \$786,477 was exposed to custodial credit risk.

At December 31, 2008, the total amount of the Village's deposits was \$755,003, and the bank balance was \$769,921. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and collateralization. Although all State statutory requirements for the deposit of money have 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 December 31, 2008, \$519,921 of the Village's bank balance of \$769,921 was exposed to custodial credit risk.

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 2009-24, 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.

**VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

Investments (Continued)

Interest rate risk arises because the fair value of investments change as interest rates change. 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 and Poor's Investor Services, respectively.

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 investments or collateral securities that are in the possession of an outside party. Of the Village's investments 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.

At December 31, 2009 and December 31, 2008, the Village had the following cash and investments:

<u>Investment Type</u>	<u>2009</u>			<u>2008</u>		
	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Money Market Account	\$ 982,539	A-1	< 1 Year	\$ 791,810	A-1	< 1 Year
Total Investments	982,539			791,810		
Deposits	765,085			755,003		
Total	<u>\$ 1,747,624</u>			<u>\$ 1,546,813</u>		

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 at least quarterly and no reconciliation is required.

VILLAGE OF HIRAM, OHIO
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(CONTINUED)

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 2009 and 2008 represent the collection of 2008 and 2007 taxes. Real property taxes received in 2009 and 2008 were levied after October 1, 2008 and October 1, 2007, on the assessed values as of January 1, 2008 and January 1, 2007, the lien dates. 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 2009 and 2008 represent the collection of 2008 and 2007 taxes. Public utility real and tangible personal property taxes received in 2009 and 2008 became a lien on December 31, 2008 and December 31, 2007, were levied after October 1, 2008 and October 1, 2007, 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 2009 and 2008 (other than public utility property) represent the collection of 2008 and 2007 taxes. Tangible personal property taxes received in 2009 and 2008 were levied after October 1, 2008 and October 1, 2007, on the true value as of December 31, 2007 and December 31, 2006. 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 years ended December 31, 2009 and December 31, 2008, was \$9.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 and 2008 property tax receipts were based are as follows:

**VILLAGE OF HIRAM, OHIO
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NOTE 7: **PROPERTY TAXES** (Continued)

	2009	2008
Real Property:		
Residential and Agricultural	\$ 7,203,610	\$ 7,188,710
Commercial/Industrial/Mineral	1,888,660	1,873,460
Public Utility Property:		
Personal	301,450	289,220
Tangible Personal Property	57,171	92,971
Total Assessed Value	\$ 9,450,891	\$ 9,444,361

NOTE 8: **INTERFUND RECEIVABLES/PAYABLES**

The Village had no outstanding transfers or advances at the end of 2009 and 2008.

NOTE 9: **RISK MANAGEMENT**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated tax exempt non-profit association available to municipal corporations and their instrumentalities. The Plan is deemed a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

The Pool transfers certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any insurer 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 as of December 31, 2008 (the most recent issued report):

	2008
Assets	\$ 2,552,519
Liabilities	2,814,306
Accumulated Deficit	(261,787)

Casualty excess-of-loss contracts at December 31, 2009 and December 31, 2008 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 \$5,336,456 for 2009 and \$5,210,155 for 2008.

VILLAGE OF HIRAM, OHIO
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(CONTINUED)

NOTE 9: **RISK MANAGEMENT** (Continued)

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 10: **DEFINED BENEFIT PENSION PLANS**

A. **Ohio Public Employees Retirement System**

All Village full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit 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 (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

VILLAGE OF HIRAM, OHIO
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NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

For the years ended December 31, 2009 and December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the Traditional Plan, were required to contribute 10 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 14 percent of covered payroll. The Village's required contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were \$74,953, \$68,435, and \$69,955, respectively. The full amount has been contributed for 2009, 2008, and 2007. Contributions to the Member-Directed Plan for 2009 were \$1,706 made by the Village and \$1,219 made by the Plan members, and contributions for 2008 were \$2,795 made by the Village and \$1,997 made by 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 obligations and the Village is required to contribute 19.5 percent for police officers. The Village's contributions to the OP&F for police were \$16,757, \$16,077, and \$15,164 for the years ended December 31, 2009, 2008, and 2007, respectively. The full amount has been contributed for 2009, 2008, and 2007.

VILLAGE OF HIRAM, OHIO
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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. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment 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. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2009 and 2008 employer rate was 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 7.00 percent from January 1, 2008 through March 31, 2009, and 5.50 percent from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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, 2006, include a rate of return on investments of 6.50 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 .50 percent to 5 percent annually for the next 6 years. In subsequent years (7 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
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NOTE 11: **POST-EMPLOYMENT BENEFITS** (Continued)

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

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, not to exceed a 12 percent corridor.

As of December 31, 2009, the number of active contributing participants in the Traditional Pension and Combined plans totaled 356,388. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388. Actual Village contributions for 2009 which were used to fund post-employment benefits were \$31,059 and \$34,244 for 2008. 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, 2008 (the latest information available) was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 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, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by the OP&F. OP&F provides health care benefits, including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

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. 45. Health care funding and accounting is on a pay-as-you-go basis.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F's Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

The Ohio Revised Code provides for contributions requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund (Continued)

OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2009 and December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequate funded and also is limited by the provisions of Section 401(h).

In addition, since July 1, 1992, most retirees 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 number of OP&F participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation was 14,120 for police.

The Village's actual contributions for 2009 and 2008 that were used to fund post-employment health care benefits for members were \$5,798 and \$5,563, respectively. The OP&F's total health care expenses for the year ended December 31, 2009 (the latest information available) was \$96,472,398, which was net of member contributions of \$56,978,977.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

NOTE 12: DEBT

The Village's long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance at 12/31/2008	Maturity Date	Principal Payments	Balance at 12/31/2009	Principal Due Within One Year
<u>Business-type Activities</u>						
1624 OWDA Loan (\$406,721)	7.77%	\$ 72,845	2010	\$ 35,058	\$ 37,787	\$ 37,787
2291 OWDA Loan (\$2,161,237)	3.54%	813,628	2014	123,993	689,635	128,421
2292 OWDA Loan (\$13,418)	4.35%	0	2014	0	0	0
2748 OWDA Loan (\$286,860)	2.00%	135,855	2017	14,827	121,028	15,123
2749 OWDA Loan (\$174,173)	2.00%	91,311	2018	8,826	82,485	9,002
2750 OWDA Loan (\$190,957)	2.00%	109,597	2019	9,486	100,111	9,676
3498 OWDA Loan (\$266,110)	2.00%	190,941	2022	12,453	178,488	12,703
3499 OWDA Loan (\$15,581)	2.00%	11,179	2022	729	10,450	744
3894 OWDA Loan (\$59,779)	2.00%	44,830	2023	1,937	42,893	2,797
CT224 OPWC Loan (\$52,000)	0.00%	6,500	2011	2,600	3,900	2,600
CT917 OPWC Loan (\$357,000)	0.00%	152,023	2017	17,885	134,138	17,885
Total Business-type Activities		<u>\$ 1,628,709</u>		<u>\$ 227,794</u>	<u>\$ 1,400,915</u>	<u>\$ 236,738</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, 2009, the balance is \$737,872, 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 2014, 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. Loan #2292 has a credit with OWDA which will affect payments through 2011.

The Village has five Ohio Water Development Authority (OWDA) loans that relate to water system projects. As of December 31, 2009, the balance is \$525,005, 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 2022, 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.

The Ohio Public Works Commission (OPWC) provides interest free loans to qualifying entities. The Village has two loans with OPWC. The balance at December 31, 2009, of \$138,008 is to be repaid in semi-annual payments of principal only. Loan #CT224 is for sewer projects and will be repaid in 2011. Loan #CT917 is for water and will be repaid in 2017. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

NOTE 12: **DEBT** (Continued)

The Village's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance at 12/31/2007	Maturity Date	Principal Payments	Balance at 12/31/2008	Principal Due Within One Year
Governmental Activities						
Middlefield Bank (\$72,000)	3.5%	\$ 15,315	2008	\$ 15,315	\$ 0	\$ 0
Total Governmental Activities		<u>15,315</u>		<u>15,315</u>	<u>0</u>	<u>0</u>
Business-type Activities						
1624 OWDA Loan (\$406,721)	7.77%	105,376	2010	32,531	72,845	35,058
2291 OWDA Loan (\$2,161,237)	3.54%	933,345	2014	119,717	813,628	123,993
2292 OWDA Loan (\$13,418)	4.35%	*	2014	0	0	0
2748 OWDA Loan (\$286,860)	2.00%	150,391	2017	14,536	135,855	14,827
2749 OWDA Loan (\$174,173)	2.00%	99,963	2018	8,652	91,311	8,826
2750 OWDA Loan (\$190,957)	2.00%	118,897	2019	9,300	109,597	9,486
3498 OWDA Loan (\$266,110)	2.00%	203,148	2022	12,207	190,941	12,453
3499 OWDA Loan (\$15,581)	2.00%	11,894	2022	715	11,179	729
3894 OWDA Loan (\$59,779)	2.00%	*	2023	0	44,830	1,937
CT224 OPWC Loan (\$52,000)	0.00%	9,100	2011	2,600	6,500	2,600
CT917 OPWC Loan (\$357,000)	0.00%	169,908	2017	17,885	152,023	17,885
Total Business-type Activities		<u>1,846,852</u>		<u>218,143</u>	<u>1,628,709</u>	<u>227,794</u>
Totals		<u>\$ 1,862,167</u>		<u>\$ 233,458</u>	<u>\$ 1,628,709</u>	<u>\$ 227,794</u>

* Balance at December 31, 2007 was adjusted due to credit balance held by OWDA.

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, 2008, the balance is \$897,652, 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 2014, 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, 2008, the balance is \$572,534, 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.

The Ohio Public Works Commission (OPWC) provides interest free loans to qualifying entities. The Village has two loans with OPWC. The balance at December 31, 2008 of \$158,523 is to be repaid in semi-annual payments of principal only. Loan #CT224 is for sewer projects and will be repaid in 2011. Loan #CT917 is for water and will be repaid in 2017. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

NOTE 12: **DEBT** (Continued)

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>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 216,253	\$ 36,545	\$ 20,485	\$ 0
2011	184,055	28,325	19,185	0
2012	189,827	22,554	17,885	0
2013	195,789	16,591	17,885	0
2014	201,950	10,432	17,885	0
2015-2019	221,115	16,571	44,713	0
2020-2023	53,888	1,751	0	0
Totals	<u>\$1,262,877</u>	<u>\$ 132,769</u>	<u>\$ 138,038</u>	<u>\$ 0</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 years ended December 31, 2009 and December 31, 2008. In 2009, the lease was renewed for another two years.

NOTE 14: **INTERFUND TRANSFERS**

The following transfers were made in 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Transfers from the General Fund to:		
Grant Construction ODOT	\$ 5,800	\$ 0
Capital Improvement Fund	26,000	26,000
Total Transfers from the General Fund	<u>\$ 31,800</u>	<u>\$ 26,000</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 from the General Fund to the Capital Improvement Fund is in connection with the contract with Hiram Township for Fire and EMS services. The transfer from the General Fund to the Grant Construction Fund was to send a check to the Ohio Department of Transportation for the Village's matching portion for a grant program.

NOTE 15: **CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

There were no material construction or contractual commitments as of December 31, 2009 and December 31, 2008.

VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

NOTE 16: CONTINGENT LIABILITIES

The Village was not part of any lawsuits during 2008 and 2007.

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.

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 Comp Management, the plan administrator.

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Ohio Society of Certified Public Accountants

**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, Portage County, Ohio, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village of Hiram, Ohio's basic financial statements and have issued our report thereon dated June 11, 2010, in which it was noted the Village prepared its financial statements on a cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over 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.

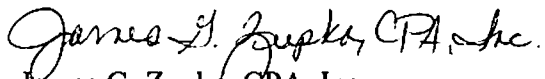
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, Village Council, and others within the entity, 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

June 11, 2010

**VILLAGE OF HIRAM, OHIO
PORTAGE COUNTY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

The prior audit report, as of December 31, 2007 and December 31, 2006, included no citations or management letter recommendations.



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
JULY 15, 2010