



**Auditor of State  
Betty Montgomery**



VILLAGE OF HIRAM  
PORTAGE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Hiram  
Portage County  
P.O. Box 65  
Hiram, Ohio 44234-0065

To the Village Council:

We have audited the accompanying financial statements of the Village of Hiram, Portage County, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 11, 2003

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$79,575	\$35,296			\$114,871
Municipal Income Tax	378,071	4,340		\$52,080	434,491
Intergovernmental Receipts	129,151	59,967			189,118
Charges for Services	97,000	85,016		11,000	193,016
Fines, Licenses, and Permits	24,217	1,244			25,461
Earnings on Investments	9,019	134			9,153
Miscellaneous	39,346	55,100		37,500	131,946
	<u>756,379</u>	<u>241,097</u>		<u>100,580</u>	<u>1,098,056</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	434,691	16,674			451,365
Public Health Services		84,425			84,425
Leisure Time Activities	849				849
Community Environment	8,553	18,204			26,757
Basic Utility Services	1,988				1,988
Transportation	89,778	18,861			108,639
General Government	153,727	533			154,260
Debt Service:					
Principal Payments			\$10,000		10,000
Interest Payments			975		975
Capital Outlay		18,505		121,828	140,333
	<u>689,586</u>	<u>157,202</u>	<u>10,975</u>	<u>121,828</u>	<u>979,591</u>
Total Cash Disbursements					
	<u>689,586</u>	<u>157,202</u>	<u>10,975</u>	<u>121,828</u>	<u>979,591</u>
Total Receipts Over/(Under) Disbursements	<u>66,793</u>	<u>83,895</u>	<u>(10,975)</u>	<u>(21,248)</u>	<u>118,465</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		7,602	10,975		18,577
Advances-In	15,400	15,400			30,800
Transfers-Out	(43,144)	(10,000)		(5,000)	(58,144)
Advances-Out	(15,400)	(15,400)			(30,800)
Other Financing Sources	1,000				1,000
	<u>(42,144)</u>	<u>(2,398)</u>	<u>10,975</u>	<u>(5,000)</u>	<u>(38,567)</u>
Total Other Financing Receipts/(Disbursements)					
	<u>(42,144)</u>	<u>(2,398)</u>	<u>10,975</u>	<u>(5,000)</u>	<u>(38,567)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,649	81,497		(26,248)	79,898
Fund Cash Balances, January 1	86,440	37,777	0	451,062	575,279
<b>Fund Cash Balances, December 31</b>	<b><u>\$111,089</u></b>	<b><u>\$119,274</u></b>	<b><u>\$0</u></b>	<b><u>\$424,814</u></b>	<b><u>\$655,177</u></b>
Reserves for Encumbrances, December 31	<u>\$32,619</u>	<u>\$10,863</u>	<u>\$0</u>	<u>\$0</u>	<u>\$43,482</u>

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

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$528,227		\$520	\$528,747
Fines, Licenses and Permits	25			25
Earnings on Investments		\$20	44	64
Miscellaneous	182		2,711	2,893
<b>Total Operating Cash Receipts</b>	<b>528,434</b>	<b>20</b>	<b>3,275</b>	<b>531,729</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	148,292			148,292
Fringe Benefits	28,717			28,717
Contractual Services	74,448			74,448
Supplies and Materials	36,101		1,127	37,228
Other			2,759	2,759
Capital Outlay	76,100			76,100
<b>Total Operating Cash Disbursements</b>	<b>363,658</b>		<b>3,886</b>	<b>367,544</b>
Operating Income/(Loss)	164,776	20	(611)	164,185
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	21,699			21,699
Proceeds from Notes	18,085			18,085
<b>Total Non-Operating Cash Receipts</b>	<b>39,784</b>		<b>0</b>	<b>39,784</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service - Principal	176,430			176,430
Debt Service - Interest	86,047			86,047
Other Non-Operating Cash Disbursements	17,051		661	17,712
<b>Total Non-Operating Cash Disbursements</b>	<b>279,528</b>		<b>661</b>	<b>280,189</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(74,968)	20	(1,272)	(76,220)
Transfers-In	352,205			352,205
Transfers-Out	(306,536)	(6,102)		(312,638)
Net Receipts Over/(Under) Disbursements	(29,299)	(6,082)	(1,272)	(36,653)
Fund Cash Balances, January 1	181,986	6,082	11,722	199,790
<b>Fund Cash Balances, December 31</b>	<b>\$152,687</b>	<b>\$0</b>	<b>\$10,450</b>	<b>\$163,137</b>
Reserve for Encumbrances, December 31	\$45,439	\$0	\$0	\$45,439

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



**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$41,882	\$25,755			\$67,637
Municipal Income Tax	369,845	4,251		\$51,013	425,109
Intergovernmental Receipts	135,752	48,411			184,163
Charges for Services	83,282	79,391		14,718	177,391
Fines, Licenses, and Permits	33,119	708			33,827
Earnings on Investments	32,256	622			32,878
Miscellaneous	28,042	4,500			32,542
	<u>724,178</u>	<u>163,638</u>		<u>65,731</u>	<u>953,547</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	416,566	3,905			420,471
Public Health Services		104,073			104,073
Leisure Time Activities	1,398				1,398
Community Environment	3,879	4,625			8,504
Basic Utility Services	1,771				1,771
Transportation	90,802	30,512			121,314
General Government	167,815	259			168,074
Debt Service:					
Principal Payments			\$10,000		10,000
Interest Payments			1,462		1,462
Capital Outlay		17,402		143,896	161,298
	<u>682,231</u>	<u>160,776</u>	<u>11,462</u>	<u>143,896</u>	<u>998,365</u>
Total Receipts Over/(Under) Disbursements	<u>41,947</u>	<u>2,862</u>	<u>(11,462)</u>	<u>(78,165)</u>	<u>(44,818)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	13,649	8,941	11,462		34,052
Advances-In	5,000	5,520			10,520
Transfers-Out	(19,417)	(21,972)		(6,000)	(47,389)
Advances-Out	(5,520)	(5,000)			(10,520)
	<u>(6,288)</u>	<u>(12,511)</u>	<u>11,462</u>	<u>(6,000)</u>	<u>(13,337)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	35,659	(9,649)		(84,165)	(58,155)
Fund Cash Balances, January 1	50,781	47,426	0	535,227	633,434
<b>Fund Cash Balances, December 31</b>	<b><u>\$86,440</u></b>	<b><u>\$37,777</u></b>	<b><u>\$0</u></b>	<b><u>\$451,062</u></b>	<b><u>\$575,279</u></b>
Reserves for Encumbrances, December 31	<u>\$42,822</u>	<u>\$11,467</u>	<u>\$0</u>	<u>\$40,033</u>	<u>\$94,322</u>

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

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$536,241		\$3,020	\$539,261
Interest		\$169	370	539
Contributions and Donations			200	200
Miscellaneous			7,395	7,395
<b>Total Operating Cash Receipts</b>	<b>536,241</b>	<b>169</b>	<b>10,985</b>	<b>547,395</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	126,664			126,664
Fringe Benefits	30,435			30,435
Contractual Services	69,009			69,009
Supplies and Materials	22,729		5,193	27,922
Capital Outlay	470,031			470,031
Miscellaneous			436	436
<b>Total Operating Cash Disbursements</b>	<b>718,868</b>	<b>0</b>	<b>5,629</b>	<b>724,497</b>
Operating Income/(Loss)	(182,627)	169	5,356	(177,102)
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	184,674			184,674
Proceeds of Notes	237,305			237,305
<b>Total Non-Operating Cash Receipts</b>	<b>421,979</b>	<b>0</b>	<b>0</b>	<b>421,979</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service - Principal	170,998			170,998
Debt Service - Interest	91,480			91,480
Other Non-Operating Cash Disbursements			3,431	3,431
<b>Total Non-Operating Cash Disbursements</b>	<b>262,478</b>	<b>0</b>	<b>3,431</b>	<b>265,909</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(23,126)	169	1,925	(21,032)
Transfers-In	314,880			314,880
Transfers-Out	(301,271)		(272)	(301,543)
Net Receipts Over/(Under) Disbursements	(9,517)	169	1,653	(7,695)
Fund Cash Balances, January 1	191,503	5,913	10,069	207,485
<b>Fund Cash Balances, December 31</b>	<b>\$181,986</b>	<b>\$6,082</b>	<b>\$11,722</b>	<b>\$199,790</b>
Reserve for Encumbrances, December 31	\$38,894	\$0	\$0	\$38,894

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

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Hiram, Portage County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations, and police and fire services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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 disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

*Ambulance Fund* - This fund receives money from ambulance run fees charged to non-residents of the Village.

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

*Water Bond Retirement Fund* – This fund receives money to retire debt regarding improvements to the Village waterworks system.

**4. Capital Project Fund**

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

*Capital Improvements Fund* - This fund receives proceeds from income tax collections to be used for vehicle, equipment, and paving improvements.

**5. Enterprise Funds**

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

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

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

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

*Township Emergency Medical Services Fund* – This fund receives money from ambulance run fees charged to non-residents of Hiram Township.

*Hiram Beautification Commission Fund* – This fund receives donations to beautify the Hiram Public Gardens.

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

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

	2002	2001
Demand deposits	\$818,314	\$93,675
STAR Ohio		681,394
Total deposits and investments	\$818,314	\$775,069

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$746,563	\$757,379	\$10,816
Special Revenue	177,205	248,699	71,494
Debt Service	10,975	10,975	0
Capital Projects	138,728	100,580	(38,148)
Enterprise	1,006,751	920,423	(86,328)
Nonexpendable Trust	5,785	20	(5,765)
Total	\$2,086,007	\$2,038,076	(\$47,931)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$792,807	\$765,349	\$27,458
Special Revenue	211,377	178,065	33,312
Debt Service	10,975	10,975	0
Capital Projects	145,542	126,828	18,714
Enterprise	1,095,091	995,161	99,930
Nonexpendable Trust	6,136	6,102	34
Total	\$2,261,928	\$2,082,480	\$179,448

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$739,230	\$737,827	(\$1,403)
Special Revenue	176,391	172,579	(3,812)
Debt Service	11,463	11,462	(1)
Capital Projects	64,818	65,731	913
Enterprise	1,269,213	1,273,100	3,887
Nonexpendable Trust	176	169	(7)
Total	\$2,261,291	\$2,260,868	(\$423)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$762,628	\$744,470	\$18,158
Special Revenue	212,197	194,215	17,982
Debt Service	11,462	11,462	0
Capital Projects	234,306	189,929	44,377
Enterprise	1,362,568	1,321,511	41,057
Total	\$2,583,161	\$2,461,587	\$121,574

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$2,484,789	2.00 -7.77%
Ohio Public Works Commission Loans	299,820	0.00%
Waterworks System Improvement Bond	10,000	4.875%
Total	<u><u>\$2,794,609</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant improvement projects. The OWDA has approved up to \$3,548,879 in loans to the Village for these projects. The loans are to be retired by water and sewer receipts in semiannual payments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loans relate to water and sewer plant improvement projects that were mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$495,288 in loans to the Village for these projects. The loans are to be retired by water and sewer receipts in semiannual payments.

The Waterworks System Improvement Bond relates to improving the Village's waterworks system by constructing a water storage tank. The original amount was \$100,000 and will be repaid in annual installments of \$10,000 plus interest. Property and revenue of the utility facilities have been pledged to repay these costs.



**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT – (Continued)**

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

Year ending December 31:	OWDA Loans	OPWC Loans	Waterworks System Improvement Bond
2003	\$252,931	\$29,203	\$10,487
2004	252,931	29,203	0
2005	252,931	20,803	0
2006	252,931	20,803	0
2007	252,931	20,803	0
2008-2012	1,183,716	98,525	0
2013-2017	587,961	80,482	0
2018-2022	12,541	0	0
Total	<u>\$3,048,873</u>	<u>\$299,822</u>	<u>\$10,487</u>

**7. LEASE/PURCHASE OBLIGATIONS**

As of December 31, 2002, the Village has two (2) lease/purchase obligations for the following:

	<u>Lessor</u>	<u>Principal</u>	<u>Interest Rate</u>
Ambulance	Fifth Third Bank	\$32,014	5.75%
Fire Truck	Becker Fire Equipment	\$40,598	5.47%

The amortization of the above lease/purchase obligations, including interest of \$5,009, is scheduled as follows:

<u>Year-Ending December 31</u>	<u>Amount</u>
2003	\$60,219
2004	<u>17,402</u>
Total	<u>\$77,621</u>

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**9. RISK POOL MEMBERSHIP**

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

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

**VILLAGE OF HIRAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**10. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 and Local Ordinance No. 93-41, Section 4.1, the Village made an unauthorized transfer of \$50,000 from the Water Operating Fund to the WPCLF Sewer Debt Service Fund in 2002.

Contrary to Local Ordinance No. 93-42, Section 9 and Local Resolution Nos. 2002-7E and 2002-14I, the Village did not post the required \$10,975 transfer from the General Fund (receipt source also includes inside ten-mill tax levy revenues) to the Water Operating Fund in 2002 which was a violation of this Ordinance and Resolution.

Both of these adjustments have been recorded on the Village books and these adjustments are reflected in the financial statements.

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Hiram  
Portage County  
P.O. Box 65  
Hiram, Ohio 44234-0065

To the Village Council:

We have audited the financial statements of the Village of Hiram (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated August 11, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 11, 2003.

**Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village of Hiram in a separate letter dated August 11, 2003.

Village of Hiram  
Portage County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 11, 2003

VILLAGE OF HIRAM  
PORTAGE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2002-001

**Noncompliance Citation/Finding for Adjustment**

**Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16** provide guidance regarding the transfer of funds. No transfer can be made from one fund of a subdivision to any other fund unless the transfer complies with one of the exceptions stated in the above Ohio Revised Code Sections.

**Local Ordinance No. 93-41, Section 4.1**, requires the Ohio Water Development Authority (OWDA) Loan to be paid from the Water Pollution Control Loan Fund (WPCLF) using solely the sewer charges of the Sewer Operating Fund.

The December 31, 2002 Village records reflected a transfer of \$50,000 from the Water Operating Fund to the WPCLF Sewer Debt Service Fund which was not authorized by Village Council. These funds were then used to pay the OWDA which is a violation of Local Ordinance No. 93-41 and Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The Village has adjusted its accounting records and the December 31, 2002 fund balance to reflect the removal of this transfer. This adjustment is reflected in the financial statements.

The Village should ensure all debt payments are made according to the debt agreement, Ohio Revised Code, and local ordinances and that transfers are made in accordance with Ohio Revised Code.

FINDING NUMBER 2002-002

**Noncompliance Citation/Finding for Adjustment**

**Local Ordinance No. 93-42, Section 9**, requires there shall be levied on all the taxable property in the Village, in addition to all other taxes, a direct tax (within the ten-mill limitation imposed by law) annually during the period the Waterworks System Improvement are due.

**Local Resolution Nos. 2002-7E and 2002-14I**, require the Clerk-Treasurer to transfer \$487 and \$10,488, respectively, from the General Fund to the Water Operating Fund in 2002.

**Local Resolution Nos. 2002-7F and 2002-14J**, require the Clerk-Treasurer to transfer \$487 and \$10,488, respectively, from the Water Operating Fund to the Water Bond Retirement Fund in 2002.

The 2002 Village records reflected the payment of principal and interest (in the amount of \$10,975) for the Waterworks System Bonds issue through a transfer from the Water Operating Fund (receipt source from water charges) to the Water Bond Retirement (3901) Fund, but did not post the \$10,975 transfer from the General Fund (receipt source also includes inside ten-mill tax levy revenues) to the Water Operating Fund, which is a violation of Local Ordinance No. 93-42 and Local Resolution Nos. 2002-7E and 2002-14I.

The Village has adjusted its accounting records and the December 31, 2002 fund balance to reflect the proper transfer from the General Fund to the Water Operating Fund. These adjustments are reflected in the financial statements.

The Village should ensure that it complies with local ordinances.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF 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  
NOVEMBER 6, 2003**