

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**





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, 2006 through December 31, 2007. 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

September 15, 2008

**This Page is Intentionally Left Blank.**

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

---

---

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis for the Year ended December 2007	3-11
Basic Financial Statements for the Year ended December 31, 2007:	
Statement of Net Assets - Cash Basis	12
Statement of Activities - Cash Basis	13
Statement of Cash Assets and Fund Balances - Governmental Funds	14
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	15
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - Budget Basis - General Fund	16
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - Budget Basis - Ambulance/Emergency Medical Services Fund	17
Statement of Fund Net Assets - Cash Basis - Proprietary Funds	18
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Funds	19
Statement of Fiduciary Net Assets - Cash Basis - Fiduciary Funds	20
Management's Discussion and Analysis for the Year ended December 2006	21-29
Basic Financial Statements for the Year ended December 31, 2006:	
Statement of Net Assets - Cash Basis	30
Statement of Activities - Cash Basis	31

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

---

---

TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Cash Assets and Fund Balances - Governmental Funds	32
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	33
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - Budget Basis - General Fund	34
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - Budget Basis - Ambulance/Emergency Medical Services Fund	35
Statement of Fund Net Assets - Cash Basis - Proprietary Funds	36
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Funds	37
Statement of Fiduciary Net Assets - Cash Basis - Fiduciary Funds	38
Notes to the Financial Statements for the Years ended December 31, 2007 and 2006	39-61
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance <i>Government Auditing Standards</i>	62-63
Status of Prior Citations and Recommendations	64

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Village of Hiram  
Portage County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hiram, Ohio, as of and for the years ended December 31, 2007 and 2006, 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 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, 2007 and 2006, 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 July 14, 2008, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 for 2007 and pages 21 through 29 for 2006 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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

July 14, 2008



**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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, 2007, 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 2007 are as follows:

- Net assets of governmental activities increased by \$160,731, or 16 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Ambulance/Emergency Medical Service Fund, which realized the greatest percentage of increase from receipts being greater than disbursements in 2007. This fund received \$19,445 more than it expended in 2007. This created an increase of 18 percent in the fund. The Capital Improvement Fund increased 46 percent solely due to transfers from the General Fund for the Fire Department, per the contract with Hiram Township. The General Fund increased its starting cash balance from the beginning of 2007 to the end of 2007 by 10 percent.
- The Village's general receipts are primarily from property and income taxes. These receipts represent, respectively, 8 percent and 35 percent of the total cash received for governmental activities during the year. Revenues received from property taxes were up in 2007 from \$54,131 to \$84,536, due to the replacement 4.4 mill levy that took effect with the 2006 tax year.
- The sewer and water operations, the Village's two business-type activities, ended the year on a positive note. The water operations ended the year with a balance of net assets in the amount of \$77,959, while the sewer operations ended the year with net assets of \$176,504.
- 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 \$77,530. The amount received during 2007 was \$10,830. The Village's Fire Department also received a \$500 State Fire Grant and a \$6,500 State EMS grant. Both amounts were entirely received during 2007.
- The Village received a \$58,900 grant from the Center for Farmland Policy Innovation's Farmland Protection Partnership Program. The grant was entitled, "Partnering to Preserve Farmland in Hiram Township with Transfer of Development Rights."
- Hinsdale Street was resurfaced by Perrin Asphalt for the amount of \$43,450.
- In November 2007, Village Council voted to outsource dispatching for the Fire and Police departments. There were seven part-time dispatchers and one full-time dispatcher displaced. The full-time dispatcher remained with the Village in a part-time administrative assistant position.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Unaudited)**

---

---

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Unaudited)**

---

---

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007 within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

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

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

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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. We describe this relationship in reconciliations presented with the governmental fund financial statements.

*Proprietary Funds* When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds: the water fund and the sewer fund. Both are major funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. 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 2007 compared to 2006 on a cash basis:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$1,141,008	\$ 980,277	\$ 254,463	\$ 223,589	\$1,395,471	\$1,203,866
<b>Total Assets</b>	<b><u>\$1,141,008</u></b>	<b><u>\$ 980,277</u></b>	<b><u>\$ 254,463</u></b>	<b><u>\$ 223,589</u></b>	<b><u>\$1,395,471</u></b>	<b><u>\$1,203,866</u></b>
<b><u>Net Assets</u></b>						
Restricted for:						
Debt Service	\$ 244	\$ 244	\$ 0	\$ 0	\$ 244	\$ 244
Capital Projects	67,000	36,000	0	0	67,000	36,000
Other Purposes	234,966	184,582	0	0	234,966	184,582
Unrestricted	<u>838,798</u>	<u>759,451</u>	<u>254,463</u>	<u>223,589</u>	<u>1,093,261</u>	<u>983,040</u>
<b>Total Net Assets</b>	<b><u>\$1,141,008</u></b>	<b><u>\$ 980,277</u></b>	<b><u>\$ 254,463</u></b>	<b><u>\$ 223,589</u></b>	<b><u>\$1,395,471</u></b>	<b><u>\$1,203,866</u></b>

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Unaudited)**

---

---

As mentioned previously, net assets of governmental activities increased by \$160,731, or 16 percent, during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- The Village received \$17,081 from Unclaimed Funds at the State level;
- Increased amount of property tax receipts from \$54,131 in 2006 to \$84,536 in 2007. This was due to the replacement of the General 4.4 mil with the tax year 2006;
- The municipal income tax receipts increased 10 percent over 2006 largely due to a construction project at Hiram College, as well as increased receipts from Sodexo and Winpro;
- The Village received \$215,456 in intergovernmental monies according to the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances Report. The two large contributors for this area are the local government funds and the local government revenue assistance funds, which were \$95,081 and \$20,014, respectively.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 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, 2007**  
**(Unaudited)**

**Table 2 - Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Receipts</b>						
Program Receipts:						
Charges for Services and Sales	\$ 326,118	\$ 342,002	\$ 652,678	\$ 589,218	\$ 978,796	\$ 931,220
Operating Grants and Contributions	<u>14,495</u>	<u>16,582</u>	<u>0</u>	<u>0</u>	<u>14,495</u>	<u>16,582</u>
Total Program Receipts	<u>340,613</u>	<u>358,584</u>	<u>652,678</u>	<u>589,218</u>	<u>993,291</u>	<u>947,802</u>
General Revenues:						
Property and Other						
Local Taxes	84,536	54,131	0	0	84,536	54,131
Income Taxes	381,282	347,650	0	0	381,282	347,650
Other Taxes	1,560	1,713	0	0	1,560	1,713
Grants and Entitlements Not Restricted to Specific Programs						
Cable Franchise Fees	200,961	130,591	0	0	200,961	130,591
Interest	4,244	3,282	0	0	4,244	3,282
Miscellaneous	37,019	33,667	0	0	37,019	33,667
Sale of Fixed Assets	56,545	34,691	17,108	29,487	73,653	64,178
	<u>1,198</u>	<u>0</u>	<u>1,923</u>	<u>0</u>	<u>3,121</u>	<u>0</u>
Total General Receipts	<u>767,345</u>	<u>605,725</u>	<u>19,031</u>	<u>29,487</u>	<u>786,376</u>	<u>635,212</u>
<b>Total Receipts</b>	<u>1,107,958</u>	<u>964,309</u>	<u>671,709</u>	<u>618,705</u>	<u>1,779,667</u>	<u>1,583,014</u>
<b>Disbursements</b>						
General Government Security of Persons and Property	235,843	205,823	0	0	235,843	205,823
Public Health Services	383,400	335,921	0	0	383,400	335,921
Leisure Time Activities	161,538	143,802	0	0	161,538	143,802
Community Environment	372	353	0	0	372	353
Basic Utilities	3,404	3,483	0	0	3,404	3,483
Transportation	1,490	472	0	0	1,490	472
Capital Outlay	101,120	93,512	0	0	101,120	93,512
Principal Retirement	44,090	2,602	0	0	44,090	2,602
Interest and Fiscal Charges	14,912	14,408	0	0	14,912	14,408
Water	1,058	1,562	0	0	1,058	1,562
Sewer	0	0	274,980	254,627	274,980	254,627
	<u>0</u>	<u>0</u>	<u>365,855</u>	<u>351,914</u>	<u>365,855</u>	<u>351,914</u>
<b>Total Disbursements</b>	<u>947,227</u>	<u>801,938</u>	<u>640,835</u>	<u>606,541</u>	<u>1,588,062</u>	<u>1,408,479</u>
Increase in Net Assets	160,731	162,371	30,874	12,164	191,605	174,535
Net Assets - January 1	<u>980,277</u>	<u>817,906</u>	<u>223,589</u>	<u>211,425</u>	<u>1,203,866</u>	<u>1,029,331</u>
<b>Net Assets - December 31</b>	<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>

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Unaudited)**

---

---

Program receipts represent only 31 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 69 percent of the Village's total governmental receipts and, of this amount, over 61 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (26 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

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 41 percent and 25 percent of all governmental disbursements, respectively. Public Health Services also represents a significant cost, about 17 percent. The next three columns of the statement entitled "Program Receipts" identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented below in Table 3.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Unaudited)**

**Table 3 - Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$ 235,843	\$ (216,673)	\$ 205,823	\$ (185,366)
Security of Persons and Property	383,400	(142,320)	335,921	(95,921)
Public Health Services	161,538	(99,038)	143,802	(66,451)
Leisure Time Activities	372	(372)	353	(353)
Community Environment	3,404	(2,342)	3,483	(1,876)
Basic Utilities	1,490	(1,490)	472	(472)
Transportation	101,120	(84,319)	93,512	(74,343)
Capital Outlay	44,090	(44,090)	2,602	(2,602)
Principal and Interest Payments	15,970	(15,970)	15,970	(15,970)
<b>Total Expenses</b>	<u>\$ 947,227</u>	<u>\$ (606,614)</u>	<u>\$ 801,938</u>	<u>\$ (443,354)</u>

The dependence upon property and income tax receipts is apparent, as over 49 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 \$19,720 more than was spent. The sewer operations at the Village received \$11,154 more than was spent. Both funds saved some money with the loss of the Utilities Superintendent. A part-time employee has been added. Both departments experienced major repairs in 2007: one weir at the sewer plant was replaced, a blower was replaced at the sewer plant; at the water plant a filter was replaced and the number one well had pipe replaced and the pump inspected. 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 \$1,106,760 and disbursements of \$947,227, according to the Statement of Cash Receipts, Disbursements, and Change in Cash Basis Fund Balances for Governmental Funds Report. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$79,347 as the result of increased property tax receipts and income tax receipts, which were \$30,157 and \$33,632, respectively.

General Fund receipts were less than disbursements by \$109,149, 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.



**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Unaudited)**

---

---

**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.

During 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to an increase in income tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$809,820, while actual disbursements were \$709,737. The Village kept spending in check, as demonstrated by the variance. The Village increased the cash balance in the General Fund by \$79,347 over the cash balance at the end of 2006 as shown on the Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis Report.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2007, the Village's outstanding debt included \$1,846,818 in outstanding principal from loans to the Ohio Water Development Authority and Ohio Public Works Commission. There is a loan for an ambulance with Middlefield Bank with a principal balance of \$15,315 remaining. The copier lease has an outstanding balance of \$3,718 as of December 31, 2007. 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 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, 2007**

---

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,141,008	\$ 254,463	\$ 1,395,471
<b>Total Assets</b>	<b><u>\$ 1,141,008</u></b>	<b><u>\$ 254,463</u></b>	<b><u>\$ 1,395,471</u></b>
<b><u>Net Assets</u></b>			
Restricted for:			
Debt Service	\$ 244	\$ 0	\$ 244
Other Purposes	301,966	0	301,966
Unrestricted	<u>838,798</u>	<u>254,463</u>	<u>1,093,261</u>
<b>Total Net Assets</b>	<b><u>\$ 1,141,008</u></b>	<b><u>\$ 254,463</u></b>	<b><u>\$ 1,395,471</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**DECEMBER 31, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 383,400	\$ 241,080	\$ 0	\$ 0	\$ (142,320)	\$ 0	\$ (142,320)
Public Health Services	161,538	62,500	0	0	(99,038)	0	(99,038)
Leisure Time Activities	372	0	0	0	(372)	0	(372)
Community Environment	3,404	1,062	0	0	(2,342)	0	(2,342)
Basic Utility Services	1,490	0	0	0	(1,490)	0	(1,490)
Transportation	101,120	2,306	14,495	0	(84,319)	0	(84,319)
General Government	235,843	19,170	0	0	(216,673)	0	(216,673)
Capital Outlay	44,090	0	0	0	(44,090)	0	(44,090)
Debt Service:							
Principal	14,912	0	0	0	(14,912)	0	(14,912)
Interest	1,058	0	0	0	(1,058)	0	(1,058)
<b>Total Governmental Activities</b>	<u>947,227</u>	<u>326,118</u>	<u>14,495</u>	<u>0</u>	<u>(606,614)</u>	<u>0</u>	<u>(606,614)</u>
<b>Business-type Activities</b>							
Water	274,980	285,308	0	0	0	10,328	10,328
Sewer	365,855	367,370	0	0	0	1,515	1,515
<b>Total Business-type Activities</b>	<u>640,835</u>	<u>652,678</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,843</u>	<u>11,843</u>
<b>Total Primary Government</b>	<u>\$ 1,588,062</u>	<u>\$ 978,796</u>	<u>\$ 14,495</u>	<u>\$ 0</u>	<u>(606,614)</u>	<u>11,843</u>	<u>(594,771)</u>
<b>General Receipts</b>							
Property Taxes					84,536	0	84,536
Municipal Income Taxes					381,282	0	381,282
Other Taxes					1,560	0	1,560
Grants and Entitlements Not Restricted to Special Programs					200,961	0	200,961
Sale of Fixed Assets					1,198	1,923	3,121
Cable Franchise Fee					4,244	0	4,244
Earnings on Investments					37,019	0	37,019
Miscellaneous					56,545	17,108	73,653
<b>Total General Receipts</b>					<u>767,345</u>	<u>19,031</u>	<u>786,376</u>
Change in Net Assets					160,731	30,874	191,605
Net Assets - Beginning of Year					980,277	223,589	1,203,866
<b>Net Assets - End of Year</b>					<u>\$ 1,141,008</u>	<u>\$ 254,463</u>	<u>\$ 1,395,471</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, 2007**

	General Fund	Ambulance Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 838,798	\$ 124,815	\$ 177,395	\$ 1,141,008
<b>Total Assets</b>	<b><u>\$ 838,798</u></b>	<b><u>\$ 124,815</u></b>	<b><u>\$ 177,395</u></b>	<b><u>\$ 1,141,008</u></b>
<b><u>Fund Balances</u></b>				
Reserved for Encumbrances	\$ 2,639	\$ 696	\$ 23	\$ 3,358
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	836,159	0	0	836,159
Special Revenue Funds	0	124,119	110,128	234,247
Debt Service Fund	0	0	244	244
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>67,000</u>	<u>67,000</u>
<b>Total Fund Balances</b>	<b><u>\$ 838,798</u></b>	<b><u>\$ 124,815</u></b>	<b><u>\$ 177,395</u></b>	<b><u>\$ 1,141,008</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN**  
**CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$ 66,199	\$ 18,337	\$ 3,867	\$ 88,403
Municipal Income Taxes	381,282	0	0	381,282
Intergovernmental	134,554	2,127	78,774	215,455
Charges for Services	141,080	159,350	3,150	303,580
Fines, Licenses, and Permits	24,166	0	310	24,476
Earnings on Investments	35,259	542	1,218	37,019
Miscellaneous	<u>33,707</u>	<u>1,860</u>	<u>20,978</u>	<u>56,545</u>
<b>Total Receipts</b>	<u>816,247</u>	<u>182,216</u>	<u>108,297</u>	<u>1,106,760</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	377,783	0	5,617	383,400
Public Health Services	0	145,851	15,687	161,538
Leisure Time Activities	372	0	0	372
Community Environment	3,404	0	0	3,404
Basic Utility Services	1,490	0	0	1,490
Transportation	82,284	0	18,836	101,120
General Government	198,315	310	37,218	235,843
Capital Outlay	43,450	640	0	44,090
Principal Retirements	0	14,912	0	14,912
Interest Charges	<u>0</u>	<u>1,058</u>	<u>0</u>	<u>1,058</u>
<b>Total Disbursements</b>	<u>707,098</u>	<u>162,771</u>	<u>77,358</u>	<u>947,227</u>
Excess of Receipts Over (Under) Disbursements	<u>109,149</u>	<u>19,445</u>	<u>30,939</u>	<u>159,533</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	1,198	0	0	1,198
Transfers In	0	0	31,000	31,000
Transfers Out	<u>(31,000)</u>	<u>0</u>	<u>0</u>	<u>(31,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(29,802)</u>	<u>0</u>	<u>31,000</u>	<u>1,198</u>
Net Change in Fund Balances	79,347	19,445	61,939	160,731
Fund Balances - Beginning of Year	<u>759,451</u>	<u>105,370</u>	<u>115,456</u>	<u>980,277</u>
<b>Fund Balances - End of Year</b>	<u>\$ 838,798</u>	<u>\$ 124,815</u>	<u>\$ 177,395</u>	<u>\$ 1,141,008</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, 2007**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 47,734	\$ 66,199	\$ 66,199	\$ 0
Municipal Income Taxes	365,000	377,365	381,282	3,917
Intergovernmental	144,507	134,921	134,554	(367)
Charges for Services	140,000	141,080	141,080	0
Fines, Licenses, and Permits	28,597	24,420	24,166	(254)
Earnings on Investments	35,000	33,766	35,259	1,493
Miscellaneous	19,608	19,414	33,707	14,293
<b>Total Receipts</b>	<u>780,446</u>	<u>797,165</u>	<u>816,247</u>	<u>19,082</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	375,965	399,972	379,174	20,798
Leisure Time Activities	1,500	1,500	372	1,128
Community Environment	3,601	3,601	3,426	175
Basic Utility Services	3,500	3,500	1,491	2,009
Transportation	91,776	91,776	82,726	9,050
General Government	259,471	259,471	199,098	60,373
Capital Outlay	50,000	50,000	43,450	6,550
<b>Total Disbursements</b>	<u>785,813</u>	<u>809,820</u>	<u>709,737</u>	<u>100,083</u>
Excess of Receipts Over (Under) Disbursements	<u>(5,367)</u>	<u>(12,655)</u>	<u>106,510</u>	<u>119,165</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Sale of Fixed Assets	0	1,198	1,198	0
Transfers Out	(41,000)	(41,000)	(31,000)	10,000
Advances Out	(15,000)	(15,000)	0	15,000
<b>Total Other Financing Sources (Uses)</b>	<u>(56,000)</u>	<u>(54,802)</u>	<u>(29,802)</u>	<u>25,000</u>
Net Change in Fund Balance	(61,367)	(67,457)	76,708	144,165
Fund Balance - Beginning of Year	756,979	756,979	756,979	0
Prior Year Encumbrances Appropriated	2,472	2,472	2,472	0
<b>Fund Balance - End of Year</b>	<u>\$ 698,084</u>	<u>\$ 691,994</u>	<u>\$ 836,159</u>	<u>\$ 144,165</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, 2007**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 17,777	\$ 18,397	\$ 18,337	\$ (60)
Intergovernmental	1,792	2,127	2,127	0
Charges for Services	170,797	163,604	159,350	(4,254)
Earnings on Investments	50	542	542	0
Miscellaneous	<u>500</u>	<u>2,330</u>	<u>1,860</u>	<u>(470)</u>
<b>Total Receipts</b>	<u>190,916</u>	<u>187,000</u>	<u>182,216</u>	<u>(4,784)</u>
<b><u>Disbursements</u></b>				
Current:				
Public Health Services	149,523	149,903	146,547	3,356
General Government	301	311	310	1
Capital Outlay	1,030	640	640	0
Principal	14,912	14,912	14,912	0
Interest	<u>1,058</u>	<u>1,058</u>	<u>1,058</u>	<u>0</u>
<b>Total Disbursements</b>	<u>166,824</u>	<u>166,824</u>	<u>163,467</u>	<u>3,357</u>
Net Change in Fund Balance	24,092	20,176	18,749	(1,427)
Fund Balance - Beginning of Year	104,747	104,747	104,747	0
Prior Year Encumbrances Appropriated	<u>623</u>	<u>623</u>	<u>623</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 129,462</u>	<u>\$ 125,546</u>	<u>\$ 124,119</u>	<u>\$ (1,427)</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, 2007**

---

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 77,959	\$ 176,504	\$ 254,463
<b>Total Assets</b>	<u>\$ 77,959</u>	<u>\$ 176,504</u>	<u>\$ 254,463</u>
<b><u>Net Assets</u></b>			
Unrestricted	\$ 77,959	\$ 176,504	\$ 254,463
<b>Total Net Assets</b>	<u>\$ 77,959</u>	<u>\$ 176,504</u>	<u>\$ 254,463</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, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b><u>Operating Receipts</u></b>			
Charges for Services	\$ 285,308	\$ 367,370	\$ 652,678
<b>Total Operating Receipts</b>	<u>285,308</u>	<u>367,370</u>	<u>652,678</u>
<b><u>Operating Disbursements</u></b>			
Personal Services	79,352	79,353	158,705
Employee Fringe Benefits	18,982	18,995	37,977
Contractual Services	70,022	46,643	116,665
Supplies and Materials	17,656	14,410	32,066
<b>Total Operating Disbursements</b>	<u>186,012</u>	<u>159,401</u>	<u>345,413</u>
Operating Income (Loss)	<u>99,296</u>	<u>207,969</u>	<u>307,265</u>
<b><u>Non-Operating Receipts (Disbursements)</u></b>			
Miscellaneous Receipts	9,392	9,639	19,031
Capital Outlay	(15,000)	(11,522)	(26,522)
Principal Payments	(61,703)	(149,076)	(210,779)
Interest and Fiscal Charges	(12,265)	(45,856)	(58,121)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>(79,576)</u>	<u>(196,815)</u>	<u>(276,391)</u>
Change in Net Assets	19,720	11,154	30,874
Net Assets - Beginning of Year	<u>58,239</u>	<u>165,350</u>	<u>223,589</u>
<b>Net Assets - End of Year</b>	<u>\$ 77,959</u>	<u>\$ 176,504</u>	<u>\$ 254,463</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, 2007**

---

---

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 23,070
<b>Total Assets</b>	<u>\$ 23,070</u>
<b><u>Net Assets</u></b>	
Restricted for:	
Other Purposes	\$ 23,070
<b>Total Net Assets</b>	<u>\$ 23,070</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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, 2006, 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 2006 are as follows:

- Net assets of governmental activities increased by \$162,371, or 19 percent, from 2005. The fund most affected by the increase in cash and cash equivalents was the General Fund, which received an increase of \$28,669 from the contract for services with Hiram Township and increased interest receipts. There was a decrease in the income tax collection of \$36,262. The departments kept their spending under control and no monies were needed to be advanced from the General Fund. There was an increase of 19 percent in the Charges for Services in the General Fund and a 26 percent increase in the Charges for Services in the EMS Fund. Accompanied by an increase of 22 percent in the General Fund and 29 percent in the EMS Fund in interest receipts, all these items combined allowed for an increase in net assets.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 6 percent and 36 percent of the total cash received for governmental activities during the year.
- The sewer and water operations, the Village's two business-type activities, ended the year on a positive note. The water operations ended the year with a balance of net assets in the amount of \$58,239, while the sewer operations ended the year with net assets of \$165,350.
- The Village made the third of five payments on its ambulance purchase at Middlefield Bank in the amount of \$15,970. Two payments were made on the outstanding debt obligations to the Ohio Water Development Authority and the Ohio Public Works Commission.

**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, 2006  
(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. The Village reports under the cash basis of accounting, as they do not have investments set up and tracked in the Universal Accounting Network system.

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 2006 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, 2006  
(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, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources, such as property and income taxes.

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

*Governmental Activities* Most of the Village's basic services are reported here, including police, fire, streets, and parks. The ambulance is also reported in the governmental fund types. State and federal grants and income and property taxes finance most of these activities, as well as contracts from emergency medical services and emergency services. 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, 2006  
(Unaudited)**

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

*Fiduciary Funds* Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has 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 2006 compared to 2005 on a cash basis.

**Table 1 - Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Cash and Cash Equivalents	\$ 980,277	\$ 817,906	\$ 223,589	\$ 211,425	\$1,203,866	\$1,029,331
<b>Total Assets</b>	<b>\$ 980,277</b>	<b>\$ 817,906</b>	<b>\$ 223,589</b>	<b>\$ 211,425</b>	<b>\$1,203,866</b>	<b>\$1,029,331</b>
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$ 244	\$ 244	\$ 0	\$ 0	\$ 244	\$ 244
Capital Projects	36,000	0	0	0	36,000	0
Other Purposes	184,582	141,319	0	0	184,582	141,319
Unrestricted	759,451	676,343	223,589	211,425	983,040	887,768
<b>Total Net Assets</b>	<b>\$ 980,277</b>	<b>\$ 817,906</b>	<b>\$ 223,589</b>	<b>\$ 211,425</b>	<b>\$1,203,866</b>	<b>\$1,029,331</b>

As mentioned previously, net assets of governmental activities increased by \$162,371, or 17 percent, during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- Increase of \$58,884 in Charges for Services, mainly the contract with Hiram Township for fire and emergency medical services;
- Increase in interest receipts of \$6,148;
- The finding for recovery that was issued as a result of the 2003 audit was paid in the amount of \$15,130;
- Department heads curbing spending;
- Able to conserve the carry-over monies from 2005.

Table 2 reflects the changes in net assets in 2006. This is a comparative analysis between 2006 and 2005.

**VILLAGE OF HIRAM, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(Unaudited)**

**Table 2 - Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><u>Receipts</u></b>						
Program Receipts:						
Charges for Services and Sales	\$ 342,002	\$ 286,105	\$ 589,218	\$ 619,660	\$ 931,220	\$ 905,765
Operating Grants and Contributions	<u>16,582</u>	<u>19,907</u>	<u>0</u>	<u>0</u>	<u>16,582</u>	<u>19,907</u>
<b>Total Program Receipts</b>	<u>358,584</u>	<u>306,012</u>	<u>589,218</u>	<u>619,660</u>	<u>947,802</u>	<u>925,672</u>
General Revenues:						
Property and Other						
Local Taxes	54,131	50,686	0	0	54,131	50,686
Income Taxes	347,650	383,912	0	0	347,650	383,912
Other Taxes	1,713	5,762	0	0	1,713	5,762
Grants and Entitlements Not Restricted to Specific Programs						
Cable Franchise Fee	130,591	148,547	0	0	130,591	148,547
Sale of Fixed Assets	3,282	0	0	0	3,282	0
Interest	0	3,822	0	0	0	3,822
Miscellaneous	33,667	27,519	0	0	33,667	27,519
Total General Receipts	<u>34,691</u>	<u>16,130</u>	<u>29,487</u>	<u>2,060</u>	<u>64,178</u>	<u>18,190</u>
<b>Total Receipts</b>	<u>605,725</u>	<u>636,378</u>	<u>29,487</u>	<u>2,060</u>	<u>635,212</u>	<u>638,438</u>
<b>Total Receipts</b>	<u>964,309</u>	<u>942,390</u>	<u>618,705</u>	<u>621,720</u>	<u>1,583,014</u>	<u>1,564,110</u>
<b><u>Disbursements</u></b>						
General Government Security of Persons and Property	205,823	223,068	0	0	205,823	223,068
Public Health Services	335,921	385,275	0	0	335,921	385,275
Leisure Time Activities	143,802	145,593	0	0	143,802	145,593
Community Environment	353	348	0	0	353	348
Basic Utilities	3,483	3,532	0	0	3,483	3,532
Transportation	472	1,052	0	0	472	1,052
Capital Outlay	93,512	108,524	0	0	93,512	108,524
Principal Retirement	2,602	0	0	0	2,602	0
Interest and Fiscal Charges	14,408	13,915	0	0	14,408	13,915
Water	1,562	2,055	0	0	1,562	2,055
Sewer	0	0	254,627	223,159	254,627	223,159
<b>Total Disbursements</b>	<u>0</u>	<u>0</u>	<u>351,914</u>	<u>324,008</u>	<u>351,914</u>	<u>324,008</u>
<b>Total Disbursements</b>	<u>801,938</u>	<u>883,362</u>	<u>606,541</u>	<u>547,167</u>	<u>1,408,479</u>	<u>1,430,529</u>
Increase in Net Assets	162,371	59,028	12,164	74,553	174,535	133,581
Net Assets - January 1	<u>817,906</u>	<u>758,878</u>	<u>211,425</u>	<u>136,872</u>	<u>1,029,331</u>	<u>895,750</u>
<b>Net Assets - December 31</b>	<u>\$ 980,277</u>	<u>\$ 817,906</u>	<u>\$ 223,589</u>	<u>\$ 211,425</u>	<u>\$1,203,866</u>	<u>\$1,029,331</u>

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Unaudited)**

---

---

Program receipts represent only 38 percent of total receipts and are primarily comprised of building permits, inspection fees, and charges to nearby governments for police and fire services provided under contract.

General receipts represent 62 percent of the Village’s total receipts and, of this amount, over 8 percent are local taxes and 57 percent are from income taxes. Intergovernmental receipts make up 29 percent of the general receipts. This area includes local government funds and local government revenue assistance fund monies, motor vehicle license fees, and gas tax money. 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 42 percent and 25 percent of all governmental disbursements, respectively. Public Health also represents a significant cost, about 18 percent. The next three columns of the statement entitled “Program Receipts” identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. This “Net Receipt (Disbursement)” column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.



**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Unaudited)**

**Table 3 - Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$ 205,823	\$ (185,366)	\$ 223,068	\$ (198,568)
Security of Persons and Property	335,921	(95,921)	385,275	(214,518)
Public Health Services	143,802	(66,451)	145,593	(57,882)
Leisure Time Activities	353	(353)	348	(348)
Community Environment	3,483	(1,876)	3,532	(3,242)
Basic Utilities	472	(472)	1,052	(1,052)
Transportation	93,512	(74,343)	108,524	(85,770)
Capital Outlay	2,602	(2,602)	0	0
Principal Retirement	14,408	(14,408)	13,915	(13,915)
Interest and Fiscal Charges	1,562	(1,562)	2,055	(2,055)
<b>Total Expenses - Governmental Activities</b>	<u>\$ 801,938</u>	<u>\$ (443,354)</u>	<u>\$ 883,362</u>	<u>\$ (577,350)</u>

The dependence upon property and income tax receipts is apparent as over 44 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 \$1,068 more than the amount spent, and the sewer operations received \$11,096 more than the amount spent. The water and sewer funds experienced increased costs this year through the Village Administrator's salary and paying their portion of the Workers' Compensation premium. Both funds saved monies by not employing a clerk and using Dispatch to perform their data entry and billing.

**The Village's Funds**

Total governmental funds had receipts of \$964,309 and disbursements of \$801,938. A major change within governmental funds occurred within the Ambulance/EMS Fund. The fund balance of the Ambulance/EMS Fund increased by \$34,333 as a result of the significant increase in the contract with Hiram Township. The General Fund also increased by \$83,108 as a result of the significant increase in the contract with Hiram Township.

General Fund receipts were greater than disbursements by \$118,558 (exclusive of 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. Some of these reductions have already been implemented for 2006, including a hiring freeze and reduced spending. These cuts will not eliminate the need for additional funds or additional cuts in the future if the growth in property remains stagnant and the income tax receipts continue to decline.

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Unaudited)**

---

---

**General Fund Budgeting Highlights**

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

During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to an unanticipated increase in the contracted services with Hiram Township. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$700,433, while actual disbursements were \$625,125. The General Fund stayed well within their budgeted amount for disbursements. The Village kept spending in check as demonstrated by the variance. According to the Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis for the General Fund, there was an increase in receipts of \$3,789 from 2005 to 2006.

**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, 2006, the Village's outstanding debt included \$2,057,597 in Ohio Water Development Authority and Ohio Public Works Commission outstanding principal and interest balances. There is a loan for an ambulance with Middlefield Bank with a balance of \$30,227 remaining in principal and interest. The copier lease has an outstanding balance of \$6,864 as of December 31, 2006. More detail regarding the Village's debt is contained in Note 12 to the financial statements.

**Current Issues**

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

**VILLAGE OF HIRAM, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Unaudited)**

---

---

**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, 2006**

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 980,277	\$ 223,589	\$ 1,203,866
<b>Total Assets</b>	<b><u>\$ 980,277</u></b>	<b><u>\$ 223,589</u></b>	<b><u>\$ 1,203,866</u></b>
<b><u>Net Assets</u></b>			
Restricted for:			
Capital Account	\$ 36,000	\$ 0	\$ 36,000
Debt Service	244	0	244
Other Purposes	184,582	0	184,582
Unrestricted	<u>759,451</u>	<u>223,589</u>	<u>983,040</u>
<b>Total Net Assets</b>	<b><u>\$ 980,277</u></b>	<b><u>\$ 223,589</u></b>	<b><u>\$ 1,203,866</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
DECEMBER 31, 2006**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 335,921	\$ 240,000	\$ 0	\$ 0	\$ (95,921)	\$ 0	\$ (95,921)
Public Health Services	143,802	77,351	0	0	(66,451)	0	(66,451)
Leisure Time Activities	353	0	0	0	(353)	0	(353)
Community Environment	3,483	1,607	0	0	(1,876)	0	(1,876)
Basic Utility Services	472	0	0	0	(472)	0	(472)
Transportation	93,512	2,587	16,582	0	(74,343)	0	(74,343)
General Government	205,823	20,457	0	0	(185,366)	0	(185,366)
Capital Outlay	2,602	0	0	0	(2,602)	0	(2,602)
Principal and Interest Charges	15,970	0	0	0	(15,970)	0	(15,970)
<b>Total Governmental Activities</b>	<u>801,938</u>	<u>342,002</u>	<u>16,582</u>	<u>0</u>	<u>(443,354)</u>	<u>0</u>	<u>(443,354)</u>
<b>Business-type Activities</b>							
Water	254,627	238,302	0	0	0	(16,325)	(16,325)
Sewer	351,914	350,916	0	0	0	(998)	(998)
<b>Total Business-type Activities</b>	<u>606,541</u>	<u>589,218</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(17,323)</u>	<u>(17,323)</u>
<b>Total Primary Government</b>	<u>\$ 1,408,479</u>	<u>\$ 931,220</u>	<u>\$ 16,582</u>	<u>\$ 0</u>	<u>(443,354)</u>	<u>(17,323)</u>	<u>(460,677)</u>
<b>General Receipts</b>							
Property Taxes					54,131	0	54,131
Municipal Income Taxes					347,650	0	347,650
Other Taxes					1,713	0	1,713
Grants and Entitlements Not Restricted to Special Programs					130,591	0	130,591
Cable Franchise Fees					3,282	0	3,282
Earnings on Investments					33,667	0	33,667
Miscellaneous					34,691	29,487	64,178
<b>Total General Receipts</b>					<u>605,725</u>	<u>29,487</u>	<u>635,212</u>
Change in Net Assets					162,371	12,164	174,535
Net Assets - Beginning of Year					<u>817,906</u>	<u>211,425</u>	<u>1,029,331</u>
<b>Net Assets - End of Year</b>					<u>\$ 980,277</u>	<u>\$ 223,589</u>	<u>\$ 1,203,866</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, 2006**

	General Fund	Ambulance Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 759,451	\$ 105,370	\$ 115,456	\$ 980,277
<b>Total Assets</b>	<b><u>\$ 759,451</u></b>	<b><u>\$ 105,370</u></b>	<b><u>\$ 115,456</u></b>	<b><u>\$ 980,277</u></b>
<b><u>Fund Balances</u></b>				
Reserved:				
Reserved for Encumbrances	\$ 2,472	\$ 623	\$ 27	\$ 3,122
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	756,979	0	0	756,979
Special Revenue Funds	0	104,747	79,185	183,932
Debt Service Fund	0	0	244	244
Capital Asset Fund	<u>0</u>	<u>0</u>	<u>36,000</u>	<u>36,000</u>
<b>Total Fund Balances</b>	<b><u>\$ 759,451</u></b>	<b><u>\$ 105,370</u></b>	<b><u>\$ 115,456</u></b>	<b><u>\$ 980,277</u></b>

See accompanying notes to the basic financial statements.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$ 36,043	\$ 18,088	\$ 4,299	\$ 58,430
Municipal Income Taxes	347,650	0	0	347,650
Intergovernmental	128,114	1,727	17,333	147,174
Charges for Services	140,000	171,741	5,610	317,351
Fines, Licenses, and Permits	25,127	0	220	25,347
Earnings on Investments	32,330	48	1,288	33,666
Miscellaneous	<u>31,977</u>	<u>2,602</u>	<u>112</u>	<u>34,691</u>
<b>Total Receipts</b>	<u>741,241</u>	<u>194,206</u>	<u>28,862</u>	<u>964,309</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	334,224	0	1,697	335,921
Public Health Services	0	140,999	2,803	143,802
Leisure Time Activities	353	0	0	353
Community Environment	3,483	0	0	3,483
Basic Utility Services	472	0	0	472
Transportation	78,600	0	14,912	93,512
General Government	205,521	302	0	205,823
Capital Outlay	0	2,602	0	2,602
Debt Service:				
Principal Retirement	0	14,408	0	14,408
Interest and Fiscal Charges	<u>0</u>	<u>1,562</u>	<u>0</u>	<u>1,562</u>
<b>Total Disbursements</b>	<u>622,653</u>	<u>159,873</u>	<u>19,412</u>	<u>801,938</u>
Excess of Receipts Over (Under) Disbursements	<u>118,588</u>	<u>34,333</u>	<u>9,450</u>	<u>162,371</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	36,000	36,000
Transfers Out	(36,000)	0	0	(36,000)
Advances In	520	0	0	520
Advances Out	<u>0</u>	<u>0</u>	<u>(520)</u>	<u>(520)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(35,480)</u>	<u>0</u>	<u>35,480</u>	<u>0</u>
Net Change in Fund Balances	83,108	34,333	44,930	162,371
Fund Balances - Beginning of Year	<u>676,343</u>	<u>71,037</u>	<u>70,526</u>	<u>817,906</u>
<b>Fund Balances - End of Year</b>	<u>\$ 759,451</u>	<u>\$ 105,370</u>	<u>\$ 115,456</u>	<u>\$ 980,277</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, 2006**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 32,500	\$ 36,043	\$ 36,043	\$ 0
Municipal Income Taxes	357,005	343,284	347,650	4,366
Intergovernmental	129,707	128,810	128,114	(696)
Charges for Services	117,000	140,000	140,000	0
Fines, Licenses, and Permits	27,800	25,107	25,127	20
Earnings on Investments	27,000	30,670	32,330	1,660
Miscellaneous	8,750	33,538	31,977	(1,561)
<b>Total Receipts</b>	<u>699,762</u>	<u>737,452</u>	<u>741,241</u>	<u>3,789</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	340,000	360,700	335,653	25,047
Leisure Time Activities	500	500	353	147
Community Environment	3,575	3,575	3,505	70
Basic Utility Services	1,925	1,925	472	1,453
Transportation	87,000	87,000	79,026	7,974
General Government	246,000	246,733	206,116	40,617
<b>Total Disbursements</b>	<u>679,000</u>	<u>700,433</u>	<u>625,125</u>	<u>75,308</u>
Excess of Receipts Over (Under) Disbursements	<u>20,762</u>	<u>37,019</u>	<u>116,116</u>	<u>79,097</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers Out	(2,590)	(38,185)	(36,000)	2,185
Advances In	0	520	520	0
Advances Out	(17,800)	(7,800)	0	7,800
Other Financing Uses	(330,000)	(330,000)	0	330,000
<b>Total Other Financing Sources (Uses)</b>	<u>(350,390)</u>	<u>(375,465)</u>	<u>(35,480)</u>	<u>339,985</u>
Net Change in Fund Balance	(329,628)	(338,446)	80,636	419,082
Fund Balance - Beginning of Year	<u>676,343</u>	<u>676,343</u>	<u>676,343</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 346,715</u>	<u>\$ 337,897</u>	<u>\$ 756,979</u>	<u>\$ 419,082</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, 2006**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 15,250	\$ 18,088	\$ 18,088	\$ 0
Intergovernmental	0	1,727	1,727	0
Charges for Services	136,451	168,960	171,741	2,781
Earnings on Investments	0	48	48	0
Miscellaneous	<u>0</u>	<u>500</u>	<u>2,602</u>	<u>2,102</u>
<b>Total Receipts</b>	<u>151,701</u>	<u>189,323</u>	<u>194,206</u>	<u>4,883</u>
<b><u>Disbursements</u></b>				
Current:				
Security of Persons and Property	148,230	146,124	141,622	4,502
Public Health Services	250	281	302	(21)
General Government	0	2,603	2,602	1
Principal and Interest	<u>16,520</u>	<u>15,970</u>	<u>15,970</u>	<u>0</u>
<b>Total Disbursements</b>	<u>165,000</u>	<u>164,978</u>	<u>160,496</u>	<u>4,482</u>
Net Change in Fund Balance	(13,299)	24,345	33,710	9,365
Fund Balance - Beginning of Year	<u>71,037</u>	<u>71,037</u>	<u>71,037</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 57,738</u>	<u>\$ 95,382</u>	<u>\$ 104,747</u>	<u>\$ 9,365</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, 2006**

---

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 58,239	\$ 165,350	\$ 223,589
<b>Total Assets</b>	<u>\$ 58,239</u>	<u>\$ 165,350</u>	<u>\$ 223,589</u>
<b><u>Net Assets</u></b>			
Unrestricted	\$ 58,239	\$ 165,350	\$ 223,589
<b>Total Net Assets</b>	<u>\$ 58,239</u>	<u>\$ 165,350</u>	<u>\$ 223,589</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, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b><u>Operating Receipts</u></b>			
Charges for Services	\$ 238,302	\$ 350,916	\$ 589,218
<b>Total Operating Receipts</b>	<u>238,302</u>	<u>350,916</u>	<u>589,218</u>
<b><u>Operating Disbursements</u></b>			
Personal Services	83,768	83,179	166,947
Employee Fringe Benefits	20,264	19,145	39,409
Contractual Services	55,901	48,359	104,260
Supplies and Materials	14,579	4,628	19,207
<b>Total Operating Disbursements</b>	<u>174,512</u>	<u>155,311</u>	<u>329,823</u>
Operating Income (Loss)	<u>63,790</u>	<u>195,605</u>	<u>259,395</u>
<b><u>Non-Operating Receipts (Disbursements)</u></b>			
Miscellaneous Receipts	17,394	12,094	29,488
Capital Outlay	(2,676)	(1,886)	(4,562)
Principal Payments	(63,294)	(142,900)	(206,194)
Interest and Fiscal Charges	(14,146)	(51,817)	(65,963)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>(62,722)</u>	<u>(184,509)</u>	<u>(247,231)</u>
Change in Net Assets	1,068	11,096	12,164
Net Assets - Beginning of Year	<u>57,171</u>	<u>154,254</u>	<u>211,425</u>
<b>Net Assets - End of Year</b>	<u>\$ 58,239</u>	<u>\$ 165,350</u>	<u>\$ 223,589</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, 2006**

---

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 23,160
<b>Total Assets</b>	<u>\$ 23,160</u>
<b><u>Net Assets</u></b>	
Restricted for:	
Other Purposes	\$ 23,160
<b>Total Net Assets</b>	<u>\$ 23,160</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, 2007 AND 2006**

---

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, 2007 AND 2006**  
**(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

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(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.



**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

D. **Budgetary Process** (Continued)

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

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

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

E. **Cash and Investments**

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

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

Investments 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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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

During 2007 and 2006, 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, 2007.

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 2007 and 2006 were \$35,259, respectively.

F. **Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets as of December 31, 2007 and December 31, 2006, were \$302,210 and \$220,826, respectively.

G. **Interfund Receivables/Payables**

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

There were no new advances made by the Village in 2007 and 2006.

H. **Accumulated Leave**

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

I. **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. Fund balance reserves that have been established for encumbrances were \$3,358 in the governmental funds for 2007 and \$3,122 for 2006.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

**NOTE 3: ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The Village had no deficit fund balances at the end of 2007 and 2006

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual - Budgetary Basis presented for the General Fund and the Ambulance Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The prior year encumbrances outstanding at year end 2007 (budgetary basis) amounted to \$2,639 for the General Fund and \$696 for the Ambulance Fund. The encumbrances outstanding a year end 2006 (budgetary basis) amounted to \$2,472 for the General Fund and \$623 for the Ambulance Fund. The outstanding advances at year end 2007 and 2006 amounted to \$0 for the General Fund and \$0 for the Ambulance Fund.

**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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

Interim monies held by the Village can be deposited or invested in the following securities according to Ordinance 2007-29, which contains the Village's investment policy:

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

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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, 2007 and December 31, 2006, the Village had no cash on hand.

**Deposits**

At December 31, 2007, the total amount of the Village's deposits was \$784,552, and the bank balance was \$790,239. Of the bank balance, \$200,000 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, 2007, \$590,239 of the Village's bank balance of \$790,239 was exposed to custodial credit risk.

At December 31, 2006, the total amount of the Village's deposits was \$378,900, and the bank balance was \$407,317. Of the bank balance, \$200,000 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, 2006, \$207,017 of the Village's bank balance of \$407,317 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.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

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

**Investments**

The Village has an investment policy that is detailed in Ordinance 2007-29, Exhibit “AA for 2007 and Ordinance 2005-21 Exhibit “A” for 2006. 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.

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, 2007 and December 31, 2006, the Village had the following cash and investments:

	2007			2006		
	Carrying Value	Credit Rating	Maturity	Carrying Value	Credit Rating	Maturity
<u>Investment Type</u>						
Money Market Account	\$ 633,989	A-1	< 1 Year	\$ 848,126	A-1	< 1 Year
Total Investments	633,989			848,126		
Deposits	<u>784,552</u>			<u>378,900</u>		
<b>Total</b>	<b><u>\$ 1,418,541</u></b>			<b><u>\$ 1,227,026</u></b>		

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

**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.

**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 2007 and 2006 represent the collection of 2006 and 2005 taxes. Real property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005, on the assessed values as of January 1, 2006 and January 1, 2005, 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 2007 and 2006 represent the collection of 2006 and 2005 taxes. Public utility real and tangible personal property taxes received in 2007 and 2006 became a lien on December 31, 2006 and December 31, 2005, were levied after October 1, 2006 and October 1, 2005, 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 2007 and 2006 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005, on the true value as of December 31, 2005 and December 31, 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.



**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

---

**NOTE 7: PROPERTY TAXES** (Continued)

The full tax rate for all Village operations for the years ended December 31, 2007 and December 31, 2006,, was \$9.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

	<u>2007</u>	<u>2006</u>
Real Property:		
Residential and Agricultural	\$ 7,185,770	\$ 7,070,040
Commercial/Industrial/Mineral	3,830,520	3,831,920
Public Utility Property:		
Personal	457,740	480,380
Tangible Personal Property	<u>33,371</u>	<u>75,490</u>
<b>Total Assessed Value</b>	<b><u>\$ 11,507,401</u></b>	<b><u>\$ 11,457,830</u></b>

**NOTE 8: INTERFUND RECEIVABLES/PAYABLES**

The Village had no outstanding transfers or advances at the end of 2007 and 2006.

**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, 2007 and December 31, 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$ 2,405,834	\$ 2,331,284
Liabilities	(2,877,385)	(3,130,475)
Accumulated Deficit	(471,551)	(799,191)

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

---

---

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

Casualty excess-of-loss contracts at December 31, 2007 and December 31, 2006 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 \$5,058,043 for 2007 and \$4,911,123 for 2006.

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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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

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](http://www.opers.org).

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the Traditional Plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the Traditional Plan who were in law enforcement contributed 9.75 percent of their annual covered salary.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 8.85 percent of covered payroll from January 1 to June 30, 2007, and 7.85 from July 1 to December 31, 2007. The Village's required contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$69,955, \$67,218, and \$67,797, respectively. The full amount has been contributed for 2007, 2006, and 2005. Contributions to the Member-Directed plan for 2007 were \$256 made by the Village and \$177 made by the plan members.

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

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

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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

Police 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 \$15,164, \$14,632, and \$14,610 for the years ended December 31, 2007, 2006, and 2005, respectively. The full amount has been contributed for 2007, 2006, and 2005.

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 2007 employer rate was 13.85 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 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. 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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 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 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Village contributions for 2007 which were used to fund post-employment benefits were \$24,741. 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, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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

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.

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

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare 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.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

---

---

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

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

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.

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 year ended December 31, 2007, 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 adequately 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 2007 that were used to fund post-employment health care benefits were \$1,175 for polices. The OP&F's total health care expenses for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848.

**VILLAGE OF HIRAM, OHIO**  
**PORTAGE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(CONTINUED)**

**NOTE 12: DEBT**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance at 12/31/2006	Maturity Date	Principal Payments	Balance at 12/31/2007	Principal Due Within One Year
<b>Governmental Activities</b>						
Middlefield Bank (\$72,000)	3.5%	\$ 30,227	2008	\$ 14,912	\$ 15,315	\$ 15,315
<b>Total Governmental Activities</b>		<u>30,227</u>		<u>14,912</u>	<u>15,315</u>	<u>15,315</u>
<b>Business-type Activities</b>						
1624 OWDA Loan (\$406,721)	7.77%	135,562	2010	30,186	105,376	32,532
2291 OWDA Loan (\$2,161,237)	3.54%	1,048,935	2014	115,589	933,346	119,717
2292 OWDA Loan (\$13,418)	4.35%	(6,295)	2015	0	(6,295)	0
2748 OWDA Loan (\$286,860)	2.00%	164,641	2017	14,251	150,390	14,536
2749 OWDA Loan (\$174,173)	2.00%	108,446	2018	8,483	99,963	8,653
2750 OWDA Loan (\$190,957)	2.00%	128,015	2019	9,118	118,897	9,300
3498 OWDA Loan (\$266,110)	2.00%	215,114	2021	11,966	203,148	12,207
3499 OWDA Loan (\$15,581)	2.00%	12,595	2022	701	11,894	715
3894 OWDA Loan (\$59,779)	2.00%	51,091	2023	0	51,091	2,688
CT224 OPWC Loan (\$52,000)	0.00%	11,700	2011	2,600	9,100	2,600
CT917 OPWC Loan (\$357,000)	0.00%	187,793	2017	17,885	169,908	17,885
<b>Total Business-type Activities</b>		<u>2,057,597</u>		<u>210,779</u>	<u>1,846,818</u>	<u>220,833</u>
<b>Totals</b>		<u>\$ 2,087,824</u>		<u>\$ 225,691</u>	<u>\$ 1,862,133</u>	<u>\$ 236,148</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, 2007, the balance is \$1,044,322, which will be repaid in semi-annual installments of principal and interest. Loan #1624 will be repaid in 2010, loan #2291 will be paid in 2014, loan #2292 will be paid in 2015, and loan #3499 will be paid in 2022. These loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has five Ohio Water Development Authority (OWDA) loans that relate to water system projects. As of December 31, 2007, the balance is \$623,489, 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, 2007 of \$179,008 is to be repaid in semi-annual payments of principal only. Loan #CT224 is for sewer and will be repaid in 2011. Loan #CT917 is for water and will be repaid in 2017. 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, 2007 AND 2006**  
**(CONTINUED)**

NOTE 12: **DEBT** (Continued)

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance at 12/31/2005	Maturity Date	Principal Payments	Balance at 12/31/2006	Principal Due Within One Year
<b>Governmental Activities</b>						
Middlefield Bank (\$72,000)	3.5%	\$ 44,635	2008	\$ 14,408	\$ 30,227	\$ 14,912
<b>Total Governmental Activities</b>		<u>44,635</u>		<u>14,408</u>	<u>30,227</u>	<u>14,912</u>
<b>Business-type Activities</b>						
1624 OWDA Loan (\$406,721)	7.77%	163,572	2010	28,010	135,562	30,186
2291 OWDA Loan (\$2,161,237)	3.54%	1,160,538	2014	111,603	1,048,935	115,589
2292 OWDA Loan (\$13,418)	4.35%	(6,295)	2015	0	(6,295)	(1,045)
2748 OWDA Loan (\$286,860)	2.00%	178,612	2017	13,971	164,641	14,251
2749 OWDA Loan (\$174,173)	2.00%	116,763	2018	8,317	108,446	8,483
2750 OWDA Loan (\$190,957)	2.00%	136,954	2019	8,939	128,015	9,118
3498 OWDA Loan (\$266,110)	2.00%	226,844	2021	11,730	215,114	11,966
3499 OWDA Loan (\$15,581)	2.00%	13,282	2022	687	12,595	701
3894 OWDA Loan (\$59,779)	2.00%	53,542	2023	2,451	51,091	(3,641)
CT224 OPWC Loan (\$52,000)	0.00%	14,300	2011	2,600	11,700	2,600
CT917 OPWC Loan (\$357,000)	0.00%	205,678	2017	17,885	187,793	17,885
<b>Total Business-type Activities</b>		<u>2,263,790</u>		<u>206,193</u>	<u>2,057,597</u>	<u>206,093</u>
<b>Totals</b>		<u>\$ 2,308,425</u>		<u>\$ 220,601</u>	<u>\$2,087,824</u>	<u>\$ 221,005</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, 2006, the balance is \$1,190,797, which will be repaid in semi-annual installments of principal and interest. Loan #1624 will be repaid in 2010, loan #2291 will be paid in 2014, loan #2292 will be paid in 2015, and loan #3499 will be paid in 2022. These loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has five Ohio Water Development Authority (OWDA) loans that relate to water system projects. As of December 31, 2006, the balance is \$667,307, 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, 2006 of \$199,493 is to be repaid in semi-annual payments of principal only. Loan #CT224 is for sewer and will be repaid in 2011. Loan #CT917 is for water and will be repaid in 2017. 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, 2007 AND 2006  
(CONTINUED)**

---

NOTE 12: **DEBT** (Continued)

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

Year	OWDA Loans		OPWC Loans		Middlefield Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 200,348	\$ 50,970	\$ 20,485	\$ 0	\$ 15,315	\$ 536
2009	206,430	43,772	20,485	0	0	0
2010	215,401	36,557	20,485	0	0	0
2011	184,054	28,326	19,185	0	0	0
2012	190,731	22,669	17,885	0	0	0
2013-2117	641,572	89,053	80,483	0	0	0
2018-2022	29,274	5,337	0	0	0	0
Totals	<u>\$1,667,810</u>	<u>\$ 276,684</u>	<u>\$ 179,008</u>	<u>\$ 0</u>	<u>\$ 15,315</u>	<u>\$ 536</u>

NOTE 13: **LEASES**

The Village leases buildings, vehicles, and other equipment under non-cancellable leases. The Village disbursed \$3,432 to pay lease costs for the year ended December 31, 2007 and December 31, 2006. A final lease payment of \$3,432 will be made in 2008.

NOTE 14: **INTERFUND TRANSFERS**

The following transfers were made in 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Transfers from the General Fund to:		
Capital Improvement Fund	<u>\$ 31,000</u>	<u>\$ 36,000</u>
Total Transfers from the General Fund	<u>\$ 31,000</u>	<u>\$ 36,000</u>

NOTE 15: **CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

There were no material construction or contractual commitments as of December 31, 2007 and December 31, 2006.

NOTE 16: **CONTINGENT LIABILITIES**

The Village was not part of any lawsuits during 2007 and 2006.

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

---

**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 Gates McDonald and Company, the plan administrator.

**NOTE 18: SUBSEQUENT EVENTS**

The Portage County Auditor has submitted to the Village the taxable values and the tax rates for tax years 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Total Valuation for all Taxable Property	\$9,444,361 (\$2,013,569 decrease)	\$ 11,457,930
Total Tax Revenue Estimate	\$86,808 (loss of \$18,570)	\$ 105,378

After the expenses are paid from the tax receipts, the Village should see an approximate increase of \$20,400 from the above increase in valuation and rates.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

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, Ohio, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village of Hiram, Ohio's basic financial statements and have issued our report thereon dated July 14, 2008, 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Hiram, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village of Hiram, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Village of Hiram, Ohio's internal control.


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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Hiram, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, 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

July 14, 2008

**VILLAGE OF HIRAM, OHIO  
PORTAGE COUNTY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

---

---

The prior audit report, as of December 31, 2005, included no citations. Management letter recommendations have been corrected and procedures instituted to prevent occurrences in this audit period.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF HIRAM**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2008**