



Dave Yost • Auditor of State

VILLAGE OF HIRAM
PORTAGE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Hiram
Portage County
11617 Garfield Road
P.O. Box 65
Hiram, Ohio 44234-0065

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Hiram, Portage County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Hiram, Portage County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 17, 2014

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 56,110	\$ 19,007	\$ -	\$ 75,117
Municipal Income Tax	421,880	-	-	421,880
Intergovernmental	65,992	48,815	-	114,807
Charges for Services	181,485	162,545	16,000	360,030
Fines, Licenses and Permits	40,881	245	-	41,126
Earnings on Investments	25,741	3,405	-	29,146
Miscellaneous	45,405	8,228	1,151	54,784
<i>Total Cash Receipts</i>	<u>837,494</u>	<u>242,245</u>	<u>17,151</u>	<u>1,096,890</u>
Cash Disbursements				
Current:				
Security of Persons and Property	402,593	16,880	-	419,473
Public Health Services	-	201,573	-	201,573
Leisure Time Activities	330	-	-	330
Community Environment	3,802	-	-	3,802
Basic Utility Services	1,037	-	-	1,037
Transportation	75,006	15,383	-	90,389
General Government	239,329	422	-	239,751
Capital Outlay	-	184,792	20,113	204,905
Debt Service:				
Principal Retirement	16,791	-	-	16,791
Interest and Fiscal Charges	1,790	3,667	-	5,457
<i>Total Cash Disbursements</i>	<u>740,678</u>	<u>422,717</u>	<u>20,113</u>	<u>1,183,508</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>96,816</u>	<u>(180,472)</u>	<u>(2,962)</u>	<u>(86,618)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds	-	160,312	-	160,312
Transfers In	-	271	55,940	56,211
Transfers Out	(56,211)	-	-	(56,211)
Advances In	31,167	38,167	-	69,334
Advances Out	(38,167)	(31,167)	-	(69,334)
Other Financing Sources	-	2,803	-	2,803
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(63,211)</u>	<u>170,386</u>	<u>55,940</u>	<u>163,115</u>
<i>Net Change in Fund Cash Balances</i>	33,605	(10,086)	52,978	76,497
Fund Cash Balances, January 1	<u>756,102</u>	<u>406,560</u>	<u>240,083</u>	<u>1,402,745</u>
Fund Cash Balances, December 31				
Restricted	-	396,474	-	396,474
Committed	-	-	293,061	293,061
Assigned	174,557	-	-	174,557
Unassigned	615,150	-	-	615,150
Fund Cash Balances, December 31	<u>\$ 789,707</u>	<u>\$ 396,474</u>	<u>\$ 293,061</u>	<u>\$ 1,479,242</u>

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$ 652,661	\$ -	\$ -	\$ 652,661
<i>Total Operating Cash Receipts</i>	<u>652,661</u>	<u>-</u>	<u>-</u>	<u>652,661</u>
Operating Cash Disbursements				
Personal Services	147,993	-	-	147,993
Employee Fringe Benefits	24,031	-	-	24,031
Contractual Services	120,708	-	-	120,708
Supplies and Materials	70,892	-	718	71,610
Other	302	-	-	302
<i>Total Operating Cash Disbursements</i>	<u>363,926</u>	<u>-</u>	<u>718</u>	<u>364,644</u>
<i>Operating Income (Loss)</i>	<u>288,735</u>	<u>-</u>	<u>(718)</u>	<u>288,017</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments	4,783	-	-	4,783
Miscellaneous Receipts	756	-	100	856
Principal Retirement	(214,644)	-	-	(214,644)
Interest and Other Fiscal Charges	(16,666)	-	-	(16,666)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(225,771)</u>	<u>-</u>	<u>100</u>	<u>(225,671)</u>
<i>Income (Loss) before Transfers</i>	<u>62,964</u>	<u>-</u>	<u>(618)</u>	<u>62,346</u>
Transfers In	83,388	-	-	83,388
Transfers Out	(83,388)	-	-	(83,388)
<i>Net Change in Fund Cash Balances</i>	<u>62,964</u>	<u>-</u>	<u>(618)</u>	<u>62,346</u>
<i>Fund Cash Balances, January 1</i>	<u>737,742</u>	<u>5,069</u>	<u>13,193</u>	<u>756,004</u>
Fund Cash Balances, December 31	<u>\$ 800,706</u>	<u>\$ 5,069</u>	<u>\$ 12,575</u>	<u>\$ 818,350</u>

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 52,192	\$ 18,046	\$ -	\$ -	\$ 70,238
Municipal Income Tax	424,849	-	-	-	424,849
Intergovernmental	84,809	25,749	-	89,316	199,874
Charges for Services	166,055	177,819	-	16,000	359,874
Fines, Licenses and Permits	40,840	200	-	-	41,040
Earnings on Investments	25,942	3,011	-	7	28,960
Miscellaneous	74,963	4,585	-	4,444	83,992
Total Cash Receipts	869,650	229,410	-	109,767	1,208,827
Cash Disbursements					
Current:					
Security of Persons and Property	388,493	7,585	-	-	396,078
Public Health Services	-	187,950	-	-	187,950
Leisure Time Activities	275	-	-	-	275
Community Environment	8,163	740	-	-	8,903
Basic Utility Services	1,218	-	-	-	1,218
Transportation	91,923	14,967	-	-	106,890
General Government	243,012	264	-	-	243,276
Capital Outlay	-	-	-	167,369	167,369
Debt Service:					
Principal Retirement	16,043	-	-	-	16,043
Interest and Fiscal Charges	2,539	-	-	-	2,539
Total Cash Disbursements	751,666	211,506	-	167,369	1,130,541
Excess of Receipts Over (Under) Disbursements	117,984	17,904	-	(57,602)	78,286
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	-	-	-	200	200
Transfers In	1,280	67,178	-	60,732	129,190
Transfers Out	(165,008)	(1,036)	(244)	-	(166,288)
Advances In	9,151	89,412	-	-	98,563
Advances Out	(89,412)	(9,151)	-	-	(98,563)
Total Other Financing Receipts (Disbursements)	(243,989)	146,403	(244)	60,932	(36,898)
Net Change in Fund Cash Balances	(126,005)	164,307	(244)	3,330	41,388
Fund Cash Balances, January 1	882,107	242,253	244	236,753	1,361,357
Fund Cash Balances, December 31					
Restricted	-	406,560	-	-	406,560
Committed	-	-	-	240,083	240,083
Assigned	155,718	-	-	-	155,718
Unassigned	600,384	-	-	-	600,384
Fund Cash Balances, December 31	\$ 756,102	\$ 406,560	\$ -	\$ 240,083	\$ 1,402,745

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$ 703,581	\$ -	\$ -	\$ 703,581
<i>Total Operating Cash Receipts</i>	<u>703,581</u>	<u>-</u>	<u>-</u>	<u>703,581</u>
Operating Cash Disbursements				
Personal Services	131,514	-	-	131,514
Employee Fringe Benefits	13,690	96,316	-	110,006
Contractual Services	139,596	-	-	139,596
Supplies and Materials	81,330	-	2,400	83,730
<i>Total Operating Cash Disbursements</i>	<u>366,130</u>	<u>96,316</u>	<u>2,400</u>	<u>464,846</u>
<i>Operating Income (Loss)</i>	<u>337,451</u>	<u>(96,316)</u>	<u>(2,400)</u>	<u>238,735</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments	3,832	-	-	3,832
Miscellaneous Receipts	244	57,949	-	58,193
Principal Retirement	(208,616)	-	-	(208,616)
Interest and Other Fiscal Charges	(22,670)	-	-	(22,670)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(227,210)</u>	<u>57,949</u>	<u>-</u>	<u>(169,261)</u>
<i>Income (Loss) before Transfers</i>	110,241	(38,367)	(2,400)	69,474
Transfers In	55,000	37,098	-	92,098
Transfers Out	(55,000)	-	-	(55,000)
<i>Net Change in Fund Cash Balances</i>	110,241	(1,269)	(2,400)	106,572
Fund Cash Balances, January 1	<u>627,501</u>	<u>6,338</u>	<u>15,593</u>	<u>649,432</u>
Fund Cash Balances, December 31	<u>\$ 737,742</u>	<u>\$ 5,069</u>	<u>\$ 13,193</u>	<u>\$ 756,004</u>

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hiram, Portage County, Ohio (the Village) as a body corporate and politic. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, maintenance of Village roads, park operations, and police and fire services.

The Village participates in one public entity risk pool. Note 10 to the financial statements provide additional information for this entity.

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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village has a money market account and a checking account.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Land and Water Conservation Grant – This fund receives money from the Ohio Department of Natural Resources through the Federal Land and Water Conservation Fund Program to provide financial assistance for public recreation purposes.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village transferred the remaining unexpended fund balance in 2012 to close out their debt service fund.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvements Fund – This fund receives transfers-in from the General Fund to finance future capital improvements to buildings, equipment, and roads.

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Capital Improvement Fund – This fund receives transfers-in from the Water Fund to finance future water capital improvements.

VILLAGE OF HIRAM
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Sewer Capital Improvement Fund – This fund receives transfers-in from the Sewer Fund to finance future sewer capital improvements.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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 disburses these funds as directed by the individual, organization or other government.

The Village had the following significant Fiduciary Fund:

Hiram Beautification Commission Fund – This fund receives donations for the beautification of Hiram's Public Gardens.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

VILLAGE OF HIRAM
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand Deposits	\$99,904	\$136,898
Money Market Investment Account	<u>2,197,688</u>	<u>2,021,851</u>
Total Deposits and Investments	<u><u>\$2,297,592</u></u>	<u><u>\$2,158,749</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgeted amounts below represent amounts as filed with the Portage County Auditor. Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$728,151	\$837,494	\$109,343
Special Revenue	229,341	405,631	176,290
Capital Projects	7,419	73,091	65,672
Enterprise	822,500	741,588	(80,912)
Fiduciary	40,098	100	(39,998)
Total	<u><u>\$1,827,509</u></u>	<u><u>\$2,057,904</u></u>	<u><u>\$230,395</u></u>

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$883,896	\$796,889	\$87,007
Special Revenue	225,938	422,717	(196,779)
Capital Projects	25,000	20,113	4,887
Enterprise	772,186	678,624	93,562
Fiduciary	3,000	718	2,283
Total	<u>\$1,910,020</u>	<u>\$1,919,061</u>	<u>(\$9,041)</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$827,100	\$870,930	\$43,830
Special Revenue	481,263	296,588	(184,675)
Debt Service	0	0	0
Capital Projects	172,024	170,699	(1,325)
Enterprise	781,000	762,657	(18,343)
Fiduciary	95,047	95,047	0
Total	<u>\$2,356,434</u>	<u>\$2,195,921</u>	<u>(\$160,513)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,112,839	\$916,674	\$196,165
Special Revenue	478,684	212,542	266,142
Debt Service	244	244	0
Capital Projects	194,529	167,369	27,160
Enterprise	774,990	652,416	122,574
Fiduciary	105,666	98,716	6,950
Total	<u>\$2,666,952</u>	<u>\$2,047,961</u>	<u>\$618,991</u>

4. PROPERTY TAX

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

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 2 percent tax rate on taxable income. The proceeds are placed into the General Fund.

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village monthly as required. Corporations and other individual taxpayers pay their estimated taxes at least quarterly and file a declaration annually.

6. DEBT

The Village's long-term debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$477,966	2.0-4.35%
Ohio Public Works Commission Loan	62,598	0%
Middlefield Bank Loans	<u>186,927</u>	4.50%
Total	<u><u>\$727,491</u></u>	

Certain Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. There are three loans outstanding from the OWDA for sewer projects. There is a balance as of December 31, 2013 of \$156,170 which will be repaid in semiannual installments of principal and interest. 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.

Certain Ohio Water Development Authority (OWDA) loans relate to water system projects. There are five loans from the OWDA for water projects. There is a balance as of December 31, 2013 of \$321,796 which will be repaid in semiannual 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 one loan with OPWC. There is a balance of \$62,598 that is repaid in semiannual installments of principal only. 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.

The Village purchased a 2010 pumper tanker truck to be built by Kovatch Mobile Equipment (KME) for \$431,098. This purchase would not have been possible without the help given by Hiram Township. There is a balance as of December 31, 2013 of \$26,615 which will be repaid in semiannual installments of principal and interest. This loan through the Middlefield Banking Co. will be repaid in 2015.

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

The Village purchased in 2013, a 5.199 acre parcel formerly known as the Hiram Elementary School within the Village of Hiram to be utilized as a Hiram community park. The Village secured a cash collateral loan #565189 through the Middlefield Banking Co. for \$160,312. The Village was successful in securing two grants to help with the purchase of the park property. A grant from the Land and Water Conservation Agency in the amount of \$70,000 and a grant from the Nature Works Agency in the amount of \$15,912 were secured to offset the cost of the park property. The balance of this land acquisition will be repaid in quarterly installments of interest only with a final payment of principal and interest no later than June 2015 or sooner if possible.

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

Year ending December 31:	OWDA Loan	OPWC Loan	Middlefield Bank Loan
2014	\$213,426	\$17,885	\$181,582
2015	61,718	17,885	9,291
2016	60,673	17,885	0
2017	51,901	8,943	0
2018	37,804	0	0
2019-2023	74,174	0	0
Total	<u>\$499,696</u>	<u>\$62,598</u>	<u>\$190,873</u>

7. LEASES

The Village leases buildings, vehicles and other equipment as needed under non-cancelable leases. The Village disbursed \$2,472 to pay lease costs in each of the years ending December 31, 2012 and 2013. In 2011 the Village received a new copier and entered into a new fifty-one month lease.

8. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the period January 1, 2012 through June 30, 2013, OP&F participants contributed 10% of their wages. For the period July 1, 2013 through December 31, 2013, OP&F participants contributed 10.75% of their wages. For both 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

VILLAGE OF HIRAM
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

10. RISK POOL MEMBERSHIP

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

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverage's, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$ 833,561	\$ 1,097,683
Liabilities	<u>(782,525)</u>	<u>(791,222)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>306,461</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Hiram
Portage County
11617 Garfield Road
P.O. Box 65
Hiram, Ohio 44234-0065

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Hiram, Portage County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 17, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 17, 2014



Dave Yost • 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
NOVEMBER 25, 2014**