



**Auditor of State  
Betty Montgomery**



HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Hubbard Exempted Village School District  
Trumbull County  
150 Hall Avenue  
Hubbard, Ohio 44425-2065

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 the *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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio, as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments* and *GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503

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We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

July 19, 2004

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

The discussion and analysis of the Hubbard Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities increased \$1,412,214 which represents a 60.97% increase from 2002.
- General revenues accounted for \$16,340,333 in revenue or 89.66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,883,885 or 10.34% of total revenues of \$18,224,218.
- The District had \$16,812,004 in expenses related to governmental activities; \$1,883,885 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District's only major governmental fund, the general fund, had \$16,001,328 in revenues and \$14,503,979 in expenditures. The fund balance of the general fund increased from \$(141,827) to \$1,097,289.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District's only major fund is the general fund.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The District as a Whole**

Recall the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

|  | <b>Net Assets</b>                  |
|--|------------------------------------|
|  | Governmental<br>Activities<br>2003 |
| <b><u>Assets</u></b>                               |                                    |
| Current and other assets                           | \$ 11,436,515                      |
| Capital assets                                     | 2,951,167                          |
| Total assets                                       | 14,387,682                         |
| <b><u>Liabilities</u></b>                          |                                    |
| Current liabilities                                | 8,436,201                          |
| Long-term liabilities                              | 2,223,120                          |
| Total liabilities                                  | 10,659,321                         |
| <b><u>Net Assets</u></b>                           |                                    |
| Invested in capital<br>assets, net of related debt | 2,951,167                          |
| Restricted   | 340,404                            |
| Unrestricted                                       | 436,790                            |
| Total net assets                                   | \$ 3,728,361                       |

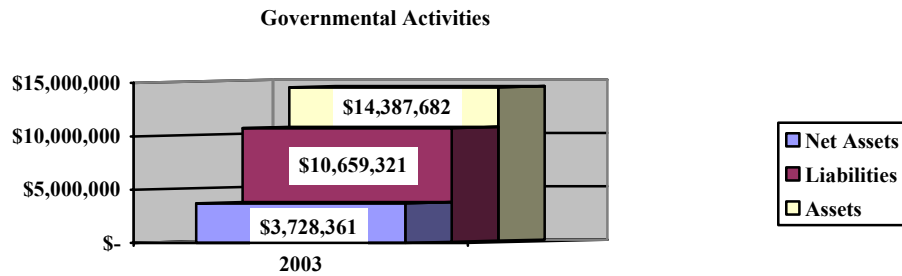
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$3,728,361.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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At year-end, capital assets represented 20.51% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$2,951,167. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$340,404, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$105,705 is restricted for capital projects.



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

|                                    | Governmental<br>Activities<br>2003 |
|------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>             |                                    |
| Program revenues:                  |                                    |
| Charges for services and sales     | \$ 821,430                         |
| Operating grants and contributions | 1,062,455                          |
| General revenues:                  |                                    |
| Property taxes                     | 6,576,285                          |
| Grants and entitlements            | 9,635,116                          |
| Investment earnings                | 52,056                             |
| Other                              | 76,876                             |
| Total revenues                     | 18,224,218                         |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Change in Net Assets**

|  | Governmental<br>Activities<br><u>2003</u> |
|--|---|
| <b><u>Expenses</u></b>                   |   |
| Program expenses:                        |   |
| Instruction:                             |   |
| Regular                                  | \$ 7,250,045                              |
| Special                                  | 1,060,704                                 |
| Vocational                               | 267,888                                   |
| Other                                    | 312,564                                   |
| Support services:                        |   |
| Pupil                                    | 670,623                                   |
| Instructional staff                      | 1,111,077                                 |
| Board of education                       | 22,406                                    |
| Administration                           | 1,140,570                                 |
| Fiscal                                   | 411,968                                   |
| Business                                 | 51,803                                    |
| Operations and maintenance               | 1,957,135                                 |
| Pupil transportation                     | 858,274                                   |
| Central                                  | 168,265                                   |
| Operations of non-instructional services | 202,393                                   |
| Food service operations                  | 610,752                                   |
| Extracurricular activities               | 533,635                                   |
| Intergovernmental-pass through           | 116,063                                   |
| Interest and fiscal charges              | <u>65,839</u>                             |
| Total                                    | <u>16,812,004</u>                         |
| Increase in net assets                   | <u>\$ 1,412,214</u>                       |

**Governmental Activities**

Net assets of the District's governmental activities increased by \$1,412,214. Total governmental expenses of \$16,812,004 were offset by program revenues of \$1,883,885 and general revenues of \$16,340,333. Program revenues supported 11.21% of the total governmental expenses.

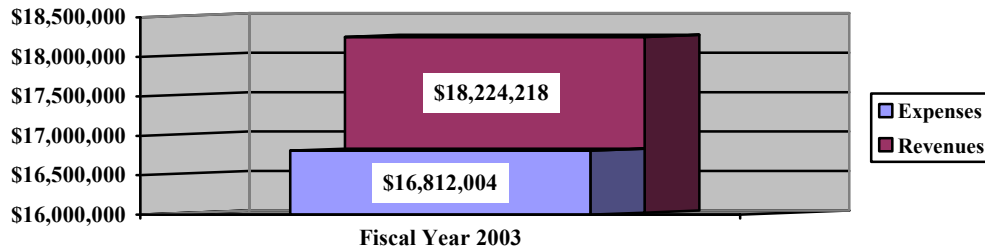
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 88.96% of total governmental revenue. Real estate property is reappraised every six years.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities**

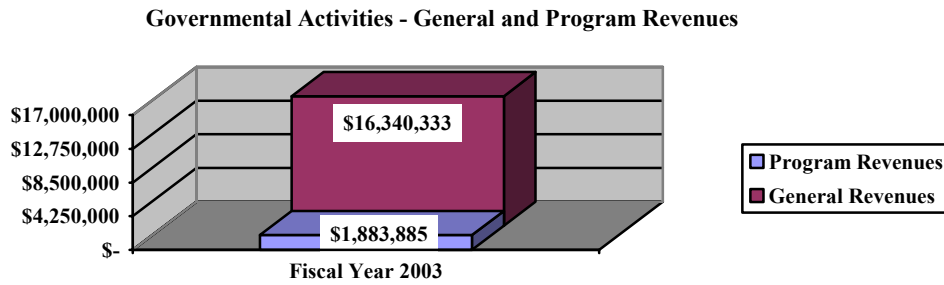
|  | Total Cost of<br>Services<br>2003 | Net Cost of<br>Services<br>2003 |
|--|-----------------------------------|---------------------------------|
| <b>Program expenses</b>                  |                                   |                                 |
| Instruction:                             |                                   |                                 |
| Regular                                  | \$ 7,250,045                      | \$ 6,991,223                    |
| Special                                  | 1,060,704                         | 926,052                         |
| Vocational                               | 267,888                           | 82,265                          |
| Other                                    | 312,564                           | 312,564                         |
| Support services:                        |                                   |                                 |
| Pupil                                    | 670,623                           | 639,234                         |
| Instructional staff                      | 1,111,077                         | 1,060,837                       |
| Board of education                       | 22,406                            | 22,406                          |
| Administration                           | 1,140,570                         | 1,117,770                       |
| Fiscal                                   | 411,968                           | 411,968                         |
| Business                                 | 51,803                            | 37,757                          |
| Operations and maintenance               | 1,957,135                         | 1,957,135                       |
| Pupil transportation                     | 858,274                           | 747,079                         |
| Central                                  | 168,265                           | 166,104                         |
| Operations of non-instructional services | 202,393                           | 122,000                         |
| Food service operations                  | 610,752                           | (82,306)                        |
| Extracurricular activities               | 533,635                           | 348,196                         |
| Intergovernmental pass-through           | 116,063                           | 1,996                           |
| Interest and fiscal charges              | 65,839                            | 65,839                          |
| <b>Total</b>                             | <u>\$ 16,812,004</u>              | <u>\$ 14,928,119</u>            |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The dependence upon tax and other general revenues for governmental activities is apparent, 93.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.79%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,640,557, which is higher than last year's total of \$466,750. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

|                    | Fund Balance<br><u>June 30, 2003</u> | Restated<br>Fund Balance<br><u>June 30, 2002</u> | <u>Increase</u>     |
|--------------------|--------------------------------------|--|---------------------|
| General            | \$ 1,097,289                         | \$ (141,827)                                     | \$ 1,239,116        |
| Other Governmental | 543,268                              | 608,577  | (65,309)            |
| Total              | <u>\$ 1,640,557</u>                  | <u>\$ 466,750</u>                                | <u>\$ 1,173,807</u> |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

***General Fund***

During fiscal year 2003, the District's general fund balance increased by \$1,239,116. The table that follows assists in illustrating the financial activities of the general fund.

|                            | <u>2003</u><br><u>Amount</u> | <u>2002</u><br><u>Amount</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------|------------------------------|------------------------------|------------------------------------|
| <b><u>Revenues</u></b>     |                              |                              |                                    |
| Taxes                      | \$ 6,160,349                 | \$ 5,919,350                 | 4.07%                              |
| Tuition                    | 12,580                       | -                            | 100.00%                            |
| Earnings on investments    | 51,363                       | 66,994                       | (23.33)%                           |
| Intergovernmental          | 9,614,636                    | 9,508,558                    | 1.12%                              |
| Other revenues             | <u>162,400</u>               | <u>137,364</u>               | 18.23%                             |
| Total                      | <u>\$ 16,001,328</u>         | <u>\$ 15,632,266</u>         | 2.36%                              |
| <b><u>Expenditures</u></b> |                              |                              |                                    |
| Instruction                | \$ 8,224,486                 | \$ 8,139,610                 | 1.04%                              |
| Support services           | 5,850,445                    | 5,563,476                    | 5.16%                              |
| Non-instructional          | 111,902                      | 144,105                      |                                    |
| Extracurricular activities | <u>317,146</u>               | <u>354,523</u>               | (10.54)%                           |
| Total                      | <u>\$ 14,503,979</u>         | <u>\$ 14,201,714</u>         | 2.13%                              |

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2003, the District amended its general fund budget several times. For the general fund, actual budgeted revenues and other financing sources of \$16,035,743 were \$224,932 higher than the final budgeted revenues estimate of \$15,810,811.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,467,264 were increased \$574,790 to \$15,042,054 in the final budget. The actual expenditures and other financing uses of \$14,994,939 were lower than the final budget by \$47,115. The District was able to add to its fund balance primarily because purchased services proved to be lower than anticipated in the original budget.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2003, the District had \$2,951,167 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

|                            | <b>Capital Assets at June 30</b> |                     |
|----------------------------|----------------------------------|---------------------|
|                            | <b>(Net of Depreciation)</b>     |                     |
|                            | <u>Governmental Activities</u>   |                     |
|                            | <u>2003</u>                      | <u>2002</u>         |
| Land                       | \$ 462,720                       | \$ 462,720          |
| Land improvements          | 709,276                          | 753,059             |
| Buildings and improvements | 1,338,859                        | 1,455,297           |
| Furniture and equipment    | 159,848                          | 43,803              |
| Vehicles                   | <u>280,464</u>                   | <u>339,329</u>      |
| Total                      | <u>\$ 2,951,167</u>              | <u>\$ 3,054,208</u> |

Total additions to capital assets for 2003 were \$130,338, which consisted of vehicles and total depreciation expense was \$233,379. See Note 8 to the basic financial statements for additional capital asset information.

***Debt Administration***

At June 30, 2003, the District had \$1,180,000 in Library improvement bonds outstanding. Of this total, \$125,000 is due within one year and \$1,055,000 is due within greater than one year. See Note 9 to the basic financial statements for additional information. The following table summarizes the debt outstanding.

|                           | <b>Outstanding Debt, at Year End</b> |                     |
|---------------------------|--------------------------------------|---------------------|
|                           | Governmental                         | Governmental        |
|                           | <u>Activities</u>                    | <u>Activities</u>   |
|                           | <u>2003</u>                          | <u>2002</u>         |
| Library improvement bonds | \$ 1,180,000                         | \$ 1,300,000        |
| Energy conservation notes | <u>-</u>                             | <u>178,824</u>      |
| Total                     | <u>\$ 1,180,000</u>                  | <u>\$ 1,478,824</u> |

The energy conservation notes were issued in fiscal year 1994. These notes matured in fiscal 2003 and bore an interest rate of 5.10% and 5.75%. Payment of principal and interest on the bonds was made from the debt service fund.

At June 30, 2003, the District's overall legal debt margin was \$17,934,555 with an unvoted debt margin of \$198,426.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Current Financial Related Activities**

Overall, the District is financially strong. As the preceding information shows, the District relies heavily upon grants and entitlements, property taxes and the state foundation program. An increase in property tax revenue is expected in fiscal year 2004 due to the increased tax valuation caused by the triennial valuation update. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2004. However, the future financial stability of the District is not without challenges.

The first challenge is the loss of state foundation revenues due to the increase in local assessed valuation. The District currently has sufficient cash balance to meet operating expenses through fiscal year 2004. This reduction was accomplished through the elimination of administrative positions. Several certified positions have been redefined and are now funded through federal grants and District aide positions have been realigned. The District also reduced planned purchased services and materials and supplies.

The District is experiencing a declining enrollment. In order to offset the decrease the District has adopted an Open Enrollment Policy. Currently, for the 2004-2005 school year the District has applications for 80 children. This has the potential of increasing revenue by \$432,000.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal. The court is likely to either accept or reject the petition before the end of 2003. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision, no state revenue growth was realized.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Blaise Karlovic, Treasurer, Hubbard Exempted Village School District, 150 Hall Avenue, Hubbard, Ohio 44425.



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2003

|   | <u><b>Governmental<br/>Activities</b></u> |
|---|---|
| <b>Assets:</b>  |   |
| Equity in pooled cash and cash equivalents. . . . .         | \$ 3,300,398                              |
| Receivables:  |   |
| Taxes . . . . .   | 8,055,326                                 |
| Accounts . . . . .  | 3,194                                     |
| Intergovernmental . . . . .                                 | 38,904                                    |
| Accrued interest . . . . .                                  | 14,768                                    |
| Prepayments . . . . .                                       | 6,663                                     |
| Materials and supplies inventory . . . . .                  | 17,262                                    |
| Capital assets:   |   |
| Land . . . . .  | 462,720                                   |
| Depreciable capital assets, net . . . . .                   | <u>2,488,447</u>                          |
| Capital assets, net. . . . .                                | <u>2,951,167</u>                          |
| <br>Total assets. . . . .                                   | <br><u>14,387,682</u>                     |
| <br><b>Liabilities:</b>                                     |   |
| Accounts payable. . . . .                                   | 108,577                                   |
| Accrued wages and benefits . . . . .                        | 1,307,453                                 |
| Pension obligation payable. . . . .                         | 367,151                                   |
| Intergovernmental payable . . . . .                         | 116,385                                   |
| Deferred revenue . . . . .                                  | 6,532,224                                 |
| Accrued interest payable . . . . .                          | 4,411                                     |
| Long-term liabilities:                                      |   |
| Due within one year. . . . .                                | 193,430                                   |
| Due within more than one year . . . . .                     | <u>2,029,690</u>                          |
| <br>Total liabilities . . . . .                             | <br><u>10,659,321</u>                     |
| <br><b>Net Assets:</b>                                      |   |
| Invested in capital assets, net<br>of related debt. . . . . | 2,951,167                                 |
| Restricted for:   |   |
| Capital projects . . . . .                                  | 105,705                                   |
| Debt service. . . . .                                       | 106,170                                   |
| Other purposes . . . . .                                    | 128,529                                   |
| Unrestricted. . . . .                                       | <u>436,790</u>                            |
| <br>Total net assets . . . . .                              | <br><u><u>\$ 3,728,361</u></u>            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

|  |                      | Program Revenues                     |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--|----------------------|--------------------------------------|--|--|
|  | Expenses             | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                               |
| <b>Governmental activities:</b>                |                      |                                      |  |  |
| Instruction:                                   |                      |                                      |  |  |
| Regular . . . . .                              | \$ 7,250,045         | \$ 141,907                           | \$ 116,915                               | \$ (6,991,223)   |
| Special . . . . .                              | 1,060,704            | -                                    | 134,652                                  | (926,052)  |
| Vocational . . . . .                           | 267,888              | -                                    | 185,623                                  | (82,265)   |
| Other . . . . .                                | 312,564              | -                                    | -  | (312,564)  |
| Support services:                              |                      |                                      |  |  |
| Pupil . . . . .                                | 670,623              | -                                    | 31,389                                   | (639,234)  |
| Instructional staff . . . . .                  | 1,111,077            | 9,078                                | 41,162                                   | (1,060,837)  |
| Board of education . . . . .                   | 22,406               | -                                    | -  | (22,406)   |
| Administration . . . . .                       | 1,140,570            | 17,950                               | 4,850                                    | (1,117,770)  |
| Fiscal . . . . .                               | 411,968              | -                                    | -  | (411,968)  |
| Business . . . . .                             | 51,803               | 14,046                               | -  | (37,757)   |
| Operations and maintenance . . . . .           | 1,957,135            | -                                    | -  | (1,957,135)  |
| Pupil transportation . . . . .                 | 858,274              | -                                    | 111,195                                  | (747,079)  |
| Central . . . . .                              | 168,265              | -                                    | 2,161                                    | (166,104)  |
| Operation of non-instructional services:       |                      |                                      |  |  |
| Food service operations . . . . .              | 610,752              | 379,356                              | 313,702                                  | 82,306   |
| Other non-instructional services . . . . .     | 202,393              | 73,654                               | 6,739                                    | (122,000)  |
| Extracurricular activities . . . . .           | 533,635              | 185,439                              | -  | (348,196)  |
| Intergovernmental pass-through . . . . .       | 116,063              | -                                    | 114,067                                  | (1,996)  |
| Interest and fiscal charges . . . . .          | 65,839               | -                                    | -  | (65,839)   |
| <b>Total governmental activities . . . . .</b> | <b>\$ 16,812,004</b> | <b>\$ 821,430</b>                    | <b>\$ 1,062,455</b>                      | <b>(14,928,119)</b>                                      |
| <b>General Revenues:</b>                       |                      |                                      |  |  |
| Property taxes levied for:                     |                      |                                      |  |  |
| General purposes . . . . .                     |                      |                                      |  | 6,275,990  |
| Debt service . . . . .                         |                      |                                      |  | 300,295  |
| Grants and entitlements not restricted         |                      |                                      |  |  |
| to specific programs . . . . .                 |                      |                                      |  | 9,635,116  |
| Investment earnings . . . . .                  |                      |                                      |  | 52,056   |
| Miscellaneous . . . . .                        |                      |                                      |  | 76,876   |
| Total general revenues . . . . .               |                      |                                      |  | 16,340,333   |
| Change in net assets . . . . .                 |                      |                                      |  | 1,412,214  |
| Net assets at beginning of year . . . . .      |                      |                                      |  | 2,316,147  |
| Net assets at end of year . . . . .            |                      |                                      |  | \$ 3,728,361   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

|  | <u>General</u>       | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|---|---|
| <b>Assets:</b>   |                      |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .              | \$ 2,599,876         | \$ 633,627                              | \$ 3,233,503                            |
| Receivables:   |                      |   |   |
| Taxes . . . . .  | 7,871,491            | 183,835                                 | 8,055,326                               |
| Accounts . . . . .   | 3,194                | -                                       | 3,194                                   |
| Intergovernmental . . . . .  | 1,377                | 37,527                                  | 38,904                                  |
| Accrued interest . . . . .   | 14,569               | 199                                     | 14,768                                  |
| Prepayments . . . . .  | 6,663                | -                                       | 6,663                                   |
| Materials and supplies inventory . . . . .                           | -                    | 17,262                                  | 17,262                                  |
| Restricted assets:   |                      |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .              | 66,895               | -                                       | 66,895                                  |
| Total assets . . . . .   | <u>\$ 10,564,065</u> | <u>\$ 872,450</u>                       | <u>\$ 11,436,515</u>                    |
| <b>Liabilities:</b>  |                      |   |   |
| Accounts payable . . . . .   | \$ 53,154            | \$ 55,423                               | \$ 108,577                              |
| Accrued wages and benefits . . . . .                                 | 1,234,553            | 72,900                                  | 1,307,453                               |
| Compensated absences payable . . . . .                               | 7,640                | -                                       | 7,640                                   |
| Pension obligation payable . . . . .                                 | 201,030              | 11,042                                  | 212,072                                 |
| Intergovernmental payable . . . . .                                  | 109,884              | 6,501                                   | 116,385                                 |
| Deferred revenue . . . . .   | 7,860,515            | 183,316                                 | 8,043,831                               |
| Total liabilities . . . . .  | <u>9,466,776</u>     | <u>329,182</u>                          | <u>9,795,958</u>                        |
| <b>Fund Balances:</b>  |                      |   |   |
| Reserved for encumbrances . . . . .                                  | 19,990               | 83,048                                  | 103,038                                 |
| Reserved for materials and<br>supplies inventory . . . . .           | -                    | 17,262                                  | 17,262                                  |
| Reserved for prepayments . . . . .                                   | 6,663                | -                                       | 6,663                                   |
| Reserved for property tax unavailable<br>for appropriation . . . . . | 22,211               | 519                                     | 22,730                                  |
| Reserved for debt service . . . . .                                  | -                    | 75,565                                  | 75,565                                  |
| Reserved for unclaimed monies . . . . .                              | 12,410               | -                                       | 12,410                                  |
| Reserved for BWC refunds . . . . .                                   | 66,895               | -                                       | 66,895                                  |
| Designated for budget stabilization . . . . .                        | 104,105              | -                                       | 104,105                                 |
| Unreserved, undesignated, reported in:                               |                      |   |   |
| General fund . . . . .   | 865,015              | -                                       | 865,015                                 |
| Special revenue funds . . . . .                                      | -                    | 271,893                                 | 271,893                                 |
| Capital projects funds . . . . .                                     | -                    | 94,981                                  | 94,981                                  |
| Total fund balances . . . . .  | <u>1,097,289</u>     | <u>543,268</u>                          | <u>1,640,557</u>                        |
| Total liabilities and fund balances . . . . .                        | <u>\$ 10,564,065</u> | <u>\$ 872,450</u>                       | <u>\$ 11,436,515</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

|  |             |              |
|--|-------------|--------------|
| <b>Total governmental fund balances</b>  |             | \$ 1,640,557 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>                                  |             |              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                    |             | 2,951,167    |
| Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.           |             | 1,511,607    |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |             |              |
| Compensated absences   | (1,035,480) |              |
| Pension obligation payable   | (155,079)   |              |
| General obligation bonds payable   | (1,180,000) |              |
| Accrued interest payable   | (4,411)     |              |
|  | (2,374,970) |              |
| <b>Total</b>   |             | (2,374,970)  |
| <b>Net assets of governmental activities</b>   |             | \$ 3,728,361 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

|  | <u>General</u>             | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------------|---|---|
| <b>Revenues:</b>   |                            |   |   |
| From local sources:  |                            |   |   |
| Taxes . . . . .  | \$ 6,160,349               | \$ 336,377                              | \$ 6,496,726                            |
| Tuition . . . . .  | 12,580                     | -                                       | 12,580                                  |
| Charges for services . . . . .                                     | -                          | 379,356                                 | 379,356                                 |
| Earnings on investments . . . . .                                  | 51,363                     | 1,003                                   | 52,366                                  |
| Extracurricular . . . . .  | -                          | 175,036                                 | 175,036                                 |
| Other local revenues . . . . .                                     | 162,400                    | 175,514                                 | 337,914                                 |
| Other revenue . . . . .  | -                          | 9,879                                   | 9,879                                   |
| Intergovernmental - State . . . . .                                | 9,614,636                  | 225,261                                 | 9,839,897                               |
| Intergovernmental - Federal . . . . .                              | -                          | 856,290                                 | 856,290                                 |
| Total revenue . . . . .  | <u>16,001,328</u>          | <u>2,158,716</u>                        | <u>18,160,044</u>                       |
| <b>Expenditures:</b>   |                            |   |   |
| Current:   |                            |   |   |
| Instruction:   |                            |   |   |
| Regular . . . . .  | 6,935,105                  | 226,719                                 | 7,161,824                               |
| Special . . . . .  | 707,951                    | 344,430                                 | 1,052,381                               |
| Vocational . . . . .   | 265,291                    | -                                       | 265,291                                 |
| Other . . . . .  | 316,139                    | -                                       | 316,139                                 |
| Support services:  |                            |   |   |
| Pupil . . . . .  | 640,452                    | 32,097                                  | 672,549                                 |
| Instructional staff . . . . .                                      | 1,028,199                  | 70,713                                  | 1,098,912                               |
| Board of education . . . . .                                       | 22,406                     | -                                       | 22,406                                  |
| Administration . . . . .   | 1,107,302                  | 20,337                                  | 1,127,639                               |
| Fiscal . . . . .   | 408,746                    | -                                       | 408,746                                 |
| Business . . . . .   | 37,658                     | 11,726                                  | 49,384                                  |
| Operations and maintenance . . . . .                               | 1,729,838                  | -                                       | 1,729,838                               |
| Pupil transportation . . . . .                                     | 725,283                    | 201,945                                 | 927,228                                 |
| Central . . . . .  | 150,561                    | 16,920                                  | 167,481                                 |
| Operation of non-instructional services:                           |                            |   |   |
| Food service operations . . . . .                                  | -                          | 610,326                                 | 610,326                                 |
| Other non-instructional services . . . . .                         | 111,902                    | 73,945                                  | 185,847                                 |
| Extracurricular activities . . . . .                               | 317,146                    | 188,019                                 | 505,165                                 |
| Intergovernmental pass-through . . . . .                           | -                          | 116,063                                 | 116,063                                 |
| Facilities acquisition and construction . . . . .                  | -                          | 206,688                                 | 206,688                                 |
| Debt service:  |                            |   |   |
| Principal retirement . . . . .                                     | -                          | 298,824                                 | 298,824                                 |
| Interest and fiscal charges . . . . .                              | -                          | 66,904                                  | 66,904                                  |
| Total expenditures . . . . .                                       | <u>14,503,979</u>          | <u>2,485,656</u>                        | <u>16,989,635</u>                       |
| Excess of revenues under expenditures . . . . .                    | <u>1,497,349</u>           | <u>(326,940)</u>                        | <u>1,170,409</u>                        |
| <b>Other financing sources (uses):</b>                             |                            |   |   |
| Transfers in . . . . .   | -                          | 258,233                                 | 258,233                                 |
| Transfers (out) . . . . .  | <u>(258,233)</u>           | <u>-</u>                                | <u>(258,233)</u>                        |
| Total other financing sources (uses) . . . . .                     | <u>(258,233)</u>           | <u>258,233</u>                          | <u>-</u>                                |
| Net change in fund balances . . . . .                              | 1,239,116                  | (68,707)                                | 1,170,409                               |
| <b>Fund balances at beginning of<br/>year (restated) . . . . .</b> | <b>(141,827)</b>           | <b>608,577</b>                          | <b>466,750</b>                          |
| <b>Increase in reserve for inventory . . . . .</b>                 | <b>-</b>                   | <b>3,398</b>                            | <b>3,398</b>                            |
| <b>Fund balances at end of year . . . . .</b>                      | <b><u>\$ 1,097,289</u></b> | <b><u>\$ 543,268</u></b>                | <b><u>\$ 1,640,557</u></b>              |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

|   |           |                         |
|---|-----------|-------------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$        | 1,170,409               |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |           |                         |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.  |           | (103,041)               |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.  |           | 3,398                   |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |           | 64,174                  |
| Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.   |           | 298,824                 |
| Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds. |           | 1,065                   |
| Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |           | (22,615)                |
| <b>Change in net assets of governmental activities</b>  | <b>\$</b> | <b><u>1,412,214</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

|  | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Over<br/>(Under)</b> |
|--|-------------------------|---------------------|---------------------|--|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |  |
| <b>Revenues:</b>   |                         |                     |                     |  |
| From local sources:                                      |                         |                     |                     |  |
| Taxes . . . . .  | \$ 6,344,212            | \$ 6,084,785        | \$ 6,171,351        | \$ 86,566  |
| Tuition. . . . .   | 12,932                  | 12,404              | 12,580              | 176  |
| Earnings on investments. . . . .                         | 48,585                  | 46,598              | 47,261              | 663  |
| Other local revenues . . . . .                           | 151,898                 | 145,686             | 147,759             | 2,073  |
| Intergovernmental - State . . . . .                      | <u>9,883,771</u>        | <u>9,479,606</u>    | <u>9,614,467</u>    | <u>134,861</u>   |
| Total revenue . . . . .                                  | <u>16,441,398</u>       | <u>15,769,079</u>   | <u>15,993,418</u>   | <u>224,339</u>   |
| <b>Expenditures:</b>                                     |                         |                     |                     |  |
| Current:   |                         |                     |                     |  |
| Instruction:   |                         |                     |                     |  |
| Regular . . . . .  | 6,801,840               | 7,089,645           | 7,049,928           | 39,717   |
| Special. . . . .   | 684,433                 | 724,267             | 709,398             | 14,869   |
| Vocational. . . . .                                      | 253,598                 | 261,647             | 262,848             | (1,201)  |
| Other. . . . .   | 306,150                 | 261,339             | 317,316             | (55,977)   |
| Support services:  |                         |                     |                     |  |
| Pupil. . . . .   | 651,415                 | 698,395             | 675,175             | 23,220   |
| Instructional staff . . . . .                            | 996,993                 | 1,022,087           | 1,033,357           | (11,270)   |
| Board of education . . . . .                             | 17,883                  | 17,898              | 18,535              | (637)  |
| Administration. . . . .                                  | 1,085,085               | 1,132,328           | 1,124,663           | 7,665  |
| Fiscal . . . . .   | 393,143                 | 388,479             | 407,482             | (19,003)   |
| Business . . . . .                                       | 37,301                  | 38,872              | 38,661              | 211  |
| Operations and maintenance. . . . .                      | 1,663,591               | 1,712,644           | 1,724,268           | (11,624)   |
| Pupil transportation . . . . .                           | 708,262                 | 758,709             | 734,095             | 24,614   |
| Central. . . . .   | 145,076                 | 124,726             | 150,367             | (25,641)   |
| Operation of non-instructional services . . . . .        | 112,507                 | 132,131             | 116,611             | 15,520   |
| Extracurricular activities. . . . .                      | <u>325,665</u>          | <u>378,399</u>      | <u>337,543</u>      | <u>40,856</u>  |
| Total expenditures . . . . .                             | <u>14,182,942</u>       | <u>14,741,566</u>   | <u>14,700,247</u>   | <u>41,319</u>  |
| Excess of revenues over (under)<br>expenditures. . . . . | <u>2,258,456</u>        | <u>1,027,513</u>    | <u>1,293,171</u>    | <u>265,658</u>   |
| <b>Other financing sources (uses):</b>                   |                         |                     |                     |  |
| Refund of prior year expenditure. . . . .                | 5,414                   | 5,192               | 5,266               | 74   |
| Transfers (out) . . . . .                                | (249,146)               | (264,029)           | (258,233)           | 5,796  |
| Advances in. . . . .                                     | 37,480                  | 35,948              | 36,459              | 511  |
| Advances (out) . . . . .                                 | (35,176)                | (36,459)            | (36,459)            | -  |
| Proceeds from sale of capital assets. . . . .            | <u>617</u>              | <u>592</u>          | <u>600</u>          | <u>8</u>   |
| Total other financing sources (uses) . . . . .           | <u>(240,811)</u>        | <u>(258,756)</u>    | <u>(252,367)</u>    | <u>6,389</u>   |
| Net change in fund balance . . . . .                     | 2,017,645               | 768,757             | 1,040,804           | 272,047  |
| <b>Fund balance at beginning of year. . . . .</b>        | 1,387,497               | 1,387,497           | 1,387,497           | -  |
| <b>Prior year encumbrances appropriated . . . . .</b>    | <u>62,525</u>           | <u>62,525</u>       | <u>62,525</u>       | <u>-</u>   |
| <b>Fund balance at end of year . . . . .</b>             | <u>\$ 3,467,667</u>     | <u>\$ 2,218,779</u> | <u>\$ 2,490,826</u> | <u>\$ 272,047</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

|   | <b>Private Purpose<br/>Trust</b> |               |
|---|----------------------------------|---------------|
|   | <b>Scholarship</b>               | <b>Agency</b> |
| <b>Assets:</b>  |                                  |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 17,434                        | \$ 86,404     |
| Total assets . . . . .                                  | 17,434                           | 86,404        |
| <b>Liabilities:</b>                                     |                                  |               |
| Accounts payable . . . . .                              | 375                              | 1,400         |
| Due to students . . . . .                               | -                                | 85,004        |
| Total liabilities . . . . .                             | 375                              | \$ 86,404     |
| <b>Net Assets:</b>                                      |                                  |               |
| Held in trust for scholarships . . . . .                | 17,059                           |               |
| Total net assets . . . . .                              | \$ 17,434                        |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

|  | <b>Private Purpose<br/>Trust</b> |
|--|----------------------------------|
|  | <b>Scholarship</b>               |
| <b>Additions:</b>                        |                                  |
| Interest . . . . .                       | \$ 347                           |
| Gifts and contributions. . . . .         | 10,699                           |
|  | 11,046                           |
| Total additions. . . . .                 | 11,046                           |
| <b>Deductions:</b>                       |                                  |
| Scholarships awarded . . . . .           | 7,005                            |
|  | 4,041                            |
| Change in net assets . . . . .           | 4,041                            |
| Net assets at beginning of year. . . . . | 13,018                           |
|  | 17,059                           |
| Net assets at end of year . . . . .      | \$ 17,059                        |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Hubbard Exempted Village School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Trumbull County, including the City of Hubbard and portions of surrounding townships.

The District ranks as the 236<sup>th</sup> largest by enrollment among the 740 public and community school districts in the State. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 120 non-certified employees, 150 certified employees and 7 administrators to provide services to approximately 2,301 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

The District serves as a taxing authority for the Hubbard Public Library (the "Library"). The Library is a separate political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The District does not appoint a majority of the Library's Board of Trustees nor does the District approve the Library's budget or influence its operations. The District has reported tax related debt for the Library in its BFS (see Note 9.C.).

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among twenty-eight school districts and two county boards of education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NEOMIN based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NEOMIN as a residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. Complete financial statements for NEOMIN may be obtained from the administrative offices at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP was established under section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

*RELATED ORGANIZATION*

Hubbard Parks and Recreation

The Board of Education appoints citizens to the Parks and Recreation Board when there are vacancies. This is the Board of Education's only involvement with the Board of Parks and Recreation.

**B. Fund Accounting**

The District uses funds 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. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General Fund - 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificated of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

During fiscal year 2003, investments were limited to repurchase agreements and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Auxiliary Services fund and Student Activity fund individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$51,363, which includes \$12,584 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District increased its capitalization threshold from \$1,500 to \$5,000 for its general capital assets during fiscal 2003. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Land improvements          | 5 years  |
| Buildings and improvements | 10 - 50 years  |
| Furniture and equipment    | 5 - 20 years   |
| Vehicles                   | 5 - 20 years   |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty years of age with at least ten years of service, or all employees with twenty years of service at any age, were included.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Reserves/Designations**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation, and Bureau of Worker's Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance has also been established. See Note 16 for details.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

**R. Parochial Schools**

Within the District's boundaries is St. Patrick's parochial school, which is operated through the Youngstown Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

***Governmental Activities - Fund Reclassification and Restatement of Fund Balance*** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassification and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

|                        | <u>General</u> | <u>Nonmajor</u> | <u>Total</u> |
|------------------------|----------------|-----------------|--------------|
| Fund balance           |                |                 |              |
| June 30, 2002          | \$ (150,578)   | \$ 499,918      | \$ 349,340   |
| Fund reclassifications | 140,136        | 108,659         | 248,795      |
| Implementation of GASB |                |                 |              |
| Interpretation No. 6   | (131,385)      | -               | (131,385)    |
| Restated fund balance, |                |                 |              |
| June 30, 2002          | \$ (141,827)   | \$ 608,577      | \$ 466,750   |

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

|   | <u>Total</u> |
|---|--------------|
| Restated fund balance, June 30, 2002              | \$ 466,750   |
| GASB 34 adjustments:                              |              |
| Long-term (deferred) assets                       | 1,447,433    |
| Capital assets                                    | 3,054,208    |
| Long-term liabilities                             | (2,646,768)  |
| Accrued interest payable                          | (5,476)      |
| Governmental activities net assets, June 30, 2002 | \$ 2,316,147 |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2003 included the following individual fund deficits:

| <u>Nonmajor Funds</u>          |        |
|--------------------------------|--------|
| Disadvantaged Pupil Impact Aid | \$ 504 |
| Literary Grant                 | 21     |
| Title VI-B                     | 4,999  |
| Title I                        | 4,502  |
| Title VI                       | 80     |

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District 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 the Board of Education has identified as not required for use within the current two-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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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;

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$(148,697) and the bank balance was \$131,952. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". Of the bank balance:

1. \$100,000 was covered by federal depository insurance or surety company bonds deposited with the District; and

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

2. \$31,952 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and other investments in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

|                           | Category<br><u>3</u> | Reported<br><u>Amount</u> | Fair<br><u>Value</u> |
|---------------------------|----------------------|---------------------------|----------------------|
| Repurchase agreement      | \$ 3,051,149         | \$ 3,051,149              | \$ 3,051,149         |
| Federal agency securities | <u>501,784</u>       | <u>501,784</u>            | <u>501,784</u>       |
| Total investments         | <u>\$ 3,552,933</u>  | <u>\$ 3,552,933</u>       | <u>\$ 3,552,933</u>  |

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

|  | Cash and Cash<br><u>Equivalents/Deposits</u> | <u>Investments</u>  |
|--|--|---------------------|
| GASB Statement No. 9                     | \$ 3,404,236                                 | \$ -                |
| Investments of the cash management pool: |  |                     |
| Repurchase agreements                    | (3,051,149)                                  | 3,051,149           |
| Federal agency securities                | <u>(501,784)</u>                             | <u>501,784</u>      |
| GASB Statement No. 3                     | <u>\$ (148,697)</u>                          | <u>\$ 3,552,933</u> |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

|  |           |
|--|-----------|
| Transfers to Nonmajor Governmental funds from: |           |
| General Fund                                   | \$258,233 |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date tax bills are sent.



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$22,211 in the general fund, and \$519 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2002 was \$37,551 in the general fund, and \$877 in the debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

|   | 2002 Second<br>Half Collections |                      | 2003 First<br>Half Collections |                      |
|---|---------------------------------|----------------------|--------------------------------|----------------------|
|   | <u>Amount</u>                   | <u>Percent</u>       | <u>Amount</u>                  | <u>Percent</u>       |
| Agricultural/residential<br>and other real estate | \$ 164,528,750                  | 84.30                | \$ 172,980,450                 | 87.18                |
| Public utility personal                           | 6,284,560                       | 3.22                 | 6,264,910                      | 3.16                 |
| Tangible personal property                        | <u>24,351,449</u>               | <u>12.48</u>         | <u>19,180,335</u>              | <u>9.66</u>          |
| <b>Total</b>                                      | <b><u>\$ 195,164,759</u></b>    | <b><u>100.00</u></b> | <b><u>\$ 198,425,695</u></b>   | <b><u>100.00</u></b> |
| <br>Tax rate per \$1,000 of<br>assessed valuation | <br>\$ 58.60                    |                      | <br>\$ 56.65                   |                      |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

| <b>Governmental Activities</b> |                            |
|--------------------------------|----------------------------|
| Property taxes                 | \$ 8,055,326               |
| Accounts                       | 3,194                      |
| Intergovernmental              | 38,904                     |
| Accrued interest               | <u>14,768</u>              |
| <b>Total</b>                   | <b><u>\$ 8,112,192</u></b> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H. for detail), fund reclassification, and the depreciation of capital assets in accordance with GASB Statement No. 34.

|   | <u>Balance</u><br><u>6/30/02</u> | <u>Adjustments</u>    | <u>Restated</u><br><u>Balance</u><br><u>6/30/02</u> |
|---|----------------------------------|-----------------------|---|
| <b>Governmental Activities</b>                |                                  |                       |   |
| <i>Capital assets, not being depreciated:</i> |                                  |                       |   |
| Land  | \$ 462,720                       | \$ -                  | \$ 462,720  |
| Total capital assets, not being depreciated   | <u>462,720</u>                   | <u>-</u>              | <u>462,720</u>                                      |
| <i>Capital assets, being depreciated:</i>     |                                  |                       |   |
| Land improvements                             | 1,292,076                        | (14,963)              | 1,277,113   |
| Buildings and improvements                    | 8,359,819                        | (38,395)              | 8,321,424   |
| Furniture and equipment                       | 810,767                          | (392,480)             | 418,287   |
| Vehicles                                      | 1,310,626                        | -                     | 1,310,626   |
| Total capital assets, being depreciated       | <u>11,773,288</u>                | <u>(445,838)</u>      | <u>11,327,450</u>                                   |
| <i>Less: accumulated depreciation</i>         | <u>-</u>                         | <u>(8,735,962)</u>    | <u>(8,735,962)</u>                                  |
| Governmental activities capital assets, net   | <u>\$ 12,236,008</u>             | <u>\$ (9,181,800)</u> | <u>\$ 3,054,208</u>                                 |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

|   | Restated<br>Balance<br><u>06/30/02</u> | <u>Additions</u>    | <u>Deductions</u> | Balance<br><u>06/30/03</u> |
|---|--|---------------------|-------------------|----------------------------|
| <b>Governmental Activities</b>                |  |                     |                   |                            |
| <i>Capital assets, not being depreciated:</i> |  |                     |                   |                            |
| Land  | \$ 462,720                             | \$ -                | \$ -              | \$ 462,720                 |
| Total capital assets, not being depreciated   | <u>462,720</u>                         | <u>-</u>            | <u>-</u>          | <u>462,720</u>             |
| <i>Capital assets, being depreciated:</i>     |  |                     |                   |                            |
| Land improvements                             | 1,277,113                              | -                   | -                 | 1,277,113                  |
| Buildings and improvements                    | 8,321,424                              | -                   | -                 | 8,321,424                  |
| Furniture and equipment                       | 418,287                                | 130,338             | -                 | 548,625                    |
| Vehicles                                      | 1,310,626                              | -                   | -                 | 1,310,626                  |
| Total capital assets, being depreciated       | <u>11,327,450</u>                      | <u>130,338</u>      | <u>-</u>          | <u>11,457,788</u>          |
| <i>Less: accumulated depreciation:</i>        |  |                     |                   |                            |
| Land improvements                             | (524,054)                              | (43,783)            | -                 | (567,837)                  |
| Buildings and improvements                    | (6,866,127)                            | (116,438)           | -                 | (6,982,565)                |
| Furniture and equipment                       | (374,484)                              | (14,293)            | -                 | (388,777)                  |
| Vehicles                                      | (971,297)                              | (58,865)            | -                 | (1,030,162)                |
| Total accumulated depreciation                | <u>(8,735,962)</u>                     | <u>(233,379)</u>    | <u>-</u>          | <u>(8,969,341)</u>         |
| Governmental activities capital assets, net   | <u>\$ 3,054,208</u>                    | <u>\$ (103,041)</u> | <u>\$ -</u>       | <u>\$ 2,951,167</u>        |

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| <u>Instruction:</u>        |                   |
| Regular                    | \$ 115,758        |
| <u>Support Services:</u>   |                   |
| Administration             | 898               |
| Operations and maintenance | 4,876             |
| Pupil transportation       | 66,532            |
| Non-instructional          | 13,351            |
| Extracurricular activities | 29,989            |
| Food service operations    | <u>1,975</u>      |
| Total depreciation expense | <u>\$ 233,379</u> |

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$44,659 from \$1,096,346 to \$1,141,005 due to the fund reclassifications described in Note 3.A. In addition, pension obligations of \$137,936 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the Statement of Net Assets. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$78,277 from \$2,758,106 to \$2,679,829. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

|   | Restated<br>Balance<br>Outstanding<br><u>06/30/02</u> | <u>Additions</u> | <u>Reductions</u>   | Balance<br>Outstanding<br><u>06/30/03</u> | Amounts<br>Due in<br><u>One Year</u> |
|---|---|------------------|---------------------|---|--------------------------------------|
| <b>Governmental Activities:</b>                         |   |                  |                     |   |                                      |
| Library improvement bonds                               | \$ 1,300,000  | \$ -             | \$ (120,000)        | \$ 1,180,000                              | \$ 125,000                           |
| Energy conservation notes                               | 178,824   | -                | (178,824)           | -   | -                                    |
| Early retirement incentive                              | 60,000  | -                | (60,000)            | -   | -                                    |
| Compensated absences                                    | <u>1,141,005</u>                                      | <u>60,790</u>    | <u>(158,675)</u>    | <u>1,043,120</u>                          | <u>68,430</u>                        |
| Total long-term obligations,<br>governmental activities | <u>\$ 2,679,829</u>                                   | <u>\$ 60,790</u> | <u>\$ (517,499)</u> | <u>\$ 2,223,120</u>                       | <u>\$ 193,430</u>                    |

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

- B.** In a prior fiscal year, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The final principal and interest payments were made during fiscal year 2003.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2003:

|                          | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>July 1, 2002</u> | <u>Retired<br/>in 2003</u> | <u>Balance at<br/>June 30, 2003</u> |
|--------------------------|--------------------------|-----------------------|--------------------------|------------------------------------|----------------------------|-------------------------------------|
| Energy conservation note | 5.10%                    | 08/30/93              | 06/01/03                 | \$ 120,000                         | \$ (120,000)               | \$ -                                |
| Energy conservation note | 5.75%                    | 09/10/93              | 06/30/03                 | <u>58,824</u>                      | <u>(58,824)</u>            | <u>-</u>                            |
| Total                    |                          |                       |                          | <u>\$ 178,824</u>                  | <u>\$ (178,824)</u>        | <u>\$ -</u>                         |

- C.** On October 25, 2001, the District issued \$1,400,000 in general obligation bonds on behalf of the Hubbard Public Library. The bonds were placed in the name of the Hubbard Exempted Village School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Hubbard Exempted Village School District. The District acts as taxing authority for the Library, collects levied taxes and makes required debt service payments. The bonds were issued to provide funds for library improvements, and are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds mature on December 1, 2010 and bear an annual interest rate of 2.4% - 5.4%. The source of payment is derived from a current bonded debt tax levy. A summary of the general obligation bond transactions for the fiscal year ended June 30, 2003 follows:

|                                 | <u>Balance<br/>July 1, 2002</u> | <u>Additions<br/>in 2003</u> | <u>Retired<br/>in 2003</u> | <u>Balance<br/>June 30, 2003</u> |
|---------------------------------|---------------------------------|------------------------------|----------------------------|----------------------------------|
| Library improvement bonds-2.40% | <u>\$ 1,300,000</u>             | <u>\$ -</u>                  | <u>\$ (120,000)</u>        | <u>\$ 1,180,000</u>              |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

| Fiscal<br>Year Ending | Principal           | Interest          | Total               |
|-----------------------|---------------------|-------------------|---------------------|
| 2004                  | \$ 125,000          | \$ 52,931         | \$ 177,931          |
| 2005                  | 130,000             | 49,197            | 179,197             |
| 2006                  | 135,000             | 44,921            | 179,921             |
| 2007                  | 145,000             | 38,745            | 183,745             |
| 2008                  | 150,000             | 30,780            | 180,780             |
| 2009 - 2011           | <u>495,000</u>      | <u>45,900</u>     | <u>540,900</u>      |
| Total                 | <u>\$ 1,180,000</u> | <u>\$ 262,474</u> | <u>\$ 1,442,474</u> |

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$17,934,555 (including available funds of \$76,442) and an unvoted debt margin of \$198,426.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-third of the accrued, but unused, sick leave balance to a maximum of 80 days for all employees.

**B. Early Retirement Incentive**

Effective July 1, 2002, the District has elected to provide an early retirement incentive plan (ERIP) for the State Teacher's Retirement System of Ohio (STRS). Employees who first attain thirty years of service and elect in writing to retire from active service and whose letter of notification is filed with the office of the Superintendent between December 1, 2002, and March 31, 2003, with an effective date following the conclusion of the school year and prior to the commencement of the 2003-2004 school year shall be paid an additional \$17,500. One half of the payment shall be made on the last August 2003 payroll and the remaining half on the last payroll in February 2004. Six employees took advantage of the ERIP during fiscal 2003.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles and liability. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents are fully insured with a liability limit of \$34,751,575 and a deductible of \$1,000.

The District's fleet insurance coverage has a liability of \$1,000,000 for each accident, \$300,000 for each uninsured motorist accident, aggregate of \$1,000,000. The property damage liability is 250,000.

The District's liability policy has a liability limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Employee Group Medical, Dental, Prescription and Life Insurance**

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical, prescription and dental plan, which are administered by Medical Mutual of Ohio located in Cleveland. The District also provides life insurance for its employees through Anthem.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$336,642, \$351,415, and \$349,848, respectively; 48.75% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$172,536, represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,090,992, \$1,063,359, and \$1,047,699, respectively; 85.83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$154,560, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$77,928 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$176,233 during the 2003 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Certain funds that are classified as part of the general fund (GAAP basis) are reported in other fund types on a cash basis (budget basis). These items are reflected as "fund reclassifications".

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

|   | <u>General Fund</u> |
|---|---------------------|
| Budget basis                            | \$ 1,040,804        |
| Net adjustment for revenue accruals     | (3,094)             |
| Net adjustment for expenditure accruals | 161,215             |
| Net adjustment for other sources/uses   | (5,866)             |
| Adjustment for fund reclassifications   | 16,668              |
| Adjustment for encumbrances             | 29,389              |
| GAAP basis                              | <u>\$ 1,239,116</u> |

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 15 - CONTINGENCIES - (Continued)**

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

|  | <u>Textbooks</u>   | <u>Capital<br/>Acquisition</u> | <u>BWC<br/>Refunds</u> |
|--|--------------------|--------------------------------|------------------------|
| Set-aside cash balance as of June 30, 2002 | \$ (97,357)        | \$ -                           | \$ 66,895              |
| Current year set-aside requirement         | 319,193            | 319,193                        | -                      |
| Current year offsets                       | -                  | -                              | -                      |
| Qualifying disbursements                   | <u>(316,044)</u>   | <u>(402,379)</u>               | <u>-</u>               |
| Total                                      | <u>\$ (94,208)</u> | <u>\$ (83,186)</u>             | <u>\$ 66,895</u>       |
| Cash balance carried forward to FY 2004    | <u>\$ (94,208)</u> | <u>\$ -</u>                    | <u>\$ -</u>            |

The District had offsets and qualifying disbursements during the year that reduced the textbook set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2003 follows:

|                                   |                  |
|-----------------------------------|------------------|
| Amount restricted for BWC refunds | <u>\$ 66,895</u> |
| Total                             | <u>\$ 66,895</u> |

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003

| Federal Grantor/<br>Pass Through Grantor<br>Program Title   | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts                    | Non-Cash<br>Receipts | Disbursements                | Non-Cash<br>Disbursements |
|---|----------------------------------|---------------------------|-----------------------------|----------------------|------------------------------|---------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                                  |                           |                             |                      |                              |                           |
| <i>Passed Through Ohio Department of Education:</i>   |                                  |                           |                             |                      |                              |                           |
| Nutrition Cluster:  |                                  |                           |                             |                      |                              |                           |
| Food Distribution Program   |                                  | 10.550                    |                             | \$27,477             |                              | \$34,344                  |
| National School Breakfast Program   | 05PU-2002<br>05PU-2003           | 10.553                    | \$7,578<br>23,622<br>31,200 |                      | \$7,578<br>23,622<br>31,200  |                           |
| National School Lunch Program   | LLP4-2002                        | 10.555                    | 52,338<br>153,855           |                      | 52,338<br>153,855            |                           |
|   |                                  |                           | 206,193                     |                      | 206,193                      |                           |
| Total U.S. Department of Agriculture - Nutrition Cluster  |                                  |                           | <b>237,393</b>              | <b>27,477</b>        | <b>237,393</b>               | <b>34,344</b>             |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                  |                           |                             |                      |                              |                           |
| <i>Passed Through Ohio Department of Education:</i>   |                                  |                           |                             |                      |                              |                           |
| Grants to Local Educational Agencies<br>(ESEA Title I)  | C1-S1-02<br>C1-S1-03             | 84.010                    |                             |                      | 24,881<br>171,635<br>196,516 |                           |
| Special Education Cluster Grant:  |                                  |                           |                             |                      |                              |                           |
| Special Education Grants to States<br>(IDEA Part B)   | 6B-SF-02-P<br>6B-SF-03-P         | 84.027                    | 1,440<br>215,343<br>216,783 |                      | 24,089<br>212,366<br>236,455 |                           |
| Drug-Free Schools Grant   | DR-S1-03                         | 84.186                    | 10,836                      |                      | 10,836                       |                           |
| Baldrige/Goals  | G2-S9-01                         | 84.276                    |                             |                      | 9,743                        |                           |
| Eisenhower Grant (Title II)   | MS-S1-01<br>MS-S1-02             | 84.281                    |                             |                      | 2,875<br>4,328<br>7,203      |                           |
| Innovative Educational Program<br>Strategies  | C2-S1-02<br>C2-S1-03             | 84.298                    | 14,797<br>14,797            |                      | 5,420<br>14,767<br>20,187    |                           |
| Title II-D, Technology  | TJ-S1-03                         | 84.318                    | 5,379                       |                      | 1,851                        |                           |
| Title VI-R, Reducing Class Size   | CR-S1-01<br>CR-S1-02             | 84.340                    |                             |                      | 9,539<br>16,749<br>26,288    |                           |
| School Renovation Idea/Technology   | AT-S2-02<br>AT-S3-02             | 84.352A                   | 8,306<br>2,573<br>10,879    |                      | 6,318<br>6,318               |                           |
| Title II-A, State grants for Improving Teacher Quality  | TR-S1-03                         | 84.367                    | 103,124                     |                      | 89,354                       |                           |
| Total Department of Education   |                                  |                           | <b>558,230</b>              |                      | <b>604,751</b>               |                           |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |                                  |                           |                             |                      |                              |                           |
| <i>Passed Through Ohio Department of Jobs and Family Services:<br/>passed through Ohio Department of Mental Retardation and<br/>Developmental Disabilities:</i> |                                  |                           |                             |                      |                              |                           |
| Medicaid Cluster:   |                                  |                           |                             |                      |                              |                           |
| Medical Assistance Program - Title XIX - Community<br>Alternative Funding System  |                                  | 93.778                    | <b>38,517</b>               |                      | <b>38,517</b>                |                           |
| <b>Totals</b>   |                                  |                           | <b>\$834,140</b>            | <b>\$27,477</b>      | <b>\$880,661</b>             | <b>\$34,344</b>           |

The accompanying notes to this schedule are an integral part of this schedule.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B—FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hubbard Exempted Village School District  
Trumbull County  
150 Hall Avenue  
Hubbard, Ohio 44425-2065

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 19, 2004 wherein we noted the District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated July 19, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Hubbard Exempted Village School District in a separate letter dated July 19, 2004.

This report is intended solely for the information and use of the audit committee, management and the Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 19, 2004



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hubbard Exempted Village School District  
Trumbull County  
150 Hall Avenue  
Hubbard, Ohio 44425-2065

To the Board of Education:

**Compliance**

We have audited the compliance of Hubbard Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 19, 2004

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No  |
| <b>d)(1)(iii)</b>   | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>                       | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | CFDA # 10.550, 10.553 & 10.555<br>Nutrition Cluster |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others          |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes   |

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

**FINDING NUMBER 2003-001**

**Ohio Revised Code §149.351**, establishes guidelines against the destruction or damage of records. All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The District's policy titled Student Activities Funds Management requires Activity Advisors to complete a Sales Project Potential Report at the inception and completion of a fund raising activity. The Sales Project Potential Report is to include the proposed costs and sales related to the fund raising activity. the cost per unit and sales price per unit.

The Sales Project Potential Reports were destroyed at the completion of the School year and could not be presented for audit. In addition to the Sales Project Potential Reports pre-numbered Activity Account Receipt issued to each student with the date and amount of money received by the Activity Advisor were also destroyed at the completion of the school year.

We recommend the Activity Advisors prepare and maintain all records associated with the fund raisers of the activity. We also recommend that when the Activity Advisors disposes of records, that the guidelines established by the school district's records commission pursuant to Ohio Revised Code Section 149.41 are followed.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END JUNE 30, 2003**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;<br><b><i>Explain:</i></b> |
|----------------|---|------------------|--|
| 2002-11178-001 | Ohio Revised Code 5705.41(D), failure to certify funds. | Corrected        | Finding No Longer Valid.   |







**Auditor of State  
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT**

**TRUMBULL 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  
OCTOBER 7, 2004**