



Mary Taylor, CPA
Auditor of State

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying 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, 2008, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Hubbard Exempted Village School District, Trumbull County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures 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 expenditures 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 31, 2009

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

As management of the Hubbard Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- For governmental activities, net assets increased \$3,013,869, which represents a 6.66 percent increase from 2007.
- General revenues accounted for \$21,797,954 in revenue or 89.60 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,531,477 or 10.40 percent of total governmental revenues of \$24,329,431.
- The School District had \$21,315,562 in expenses related to governmental activities; only \$2,531,477 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes, intergovernmental and interest) of \$21,797,954 were adequate to provide for these programs.
- The general fund had \$19,400,984 in revenues and \$17,910,168 in expenditures. The general fund's fund balance increased to \$5,252,200 from \$4,086,366.
- The classroom facilities capital projects fund had \$7,658,936 in revenue and other financing sources and \$2,181,634 in expenditures, which resulted in an increase of the fund balance to \$5,477,302.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the classroom facilities capital projects fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental 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 difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic fund financial statements can be found on pages 16-19 of this report.

Fiduciary Fund Fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. The accounting used for fiduciary fund is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2008 compared to 2007.

Assets exceeded liabilities by \$49,591,521 at the close of the most recent fiscal year for the School District.

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 1)
Net Assets
Governmental Activities

| | 2008 | 2007 | Change |
|---|---------------------|---------------------|--------------------|
| Assets | | | |
| Current and Other Assets | \$74,273,168 | \$74,123,502 | \$149,666 |
| Capital Assets, Net | 6,604,654 | 4,856,422 | 1,748,232 |
| <i>Total Assets</i> | <u>80,877,822</u> | <u>78,979,924</u> | <u>1,897,898</u> |
| Liabilities | | | |
| Current Liabilities | 10,512,100 | 10,630,478 | (118,378) |
| Long-Term Liabilities | | | |
| Due within One Year | 1,277,787 | 1,448,988 | (171,201) |
| Due in More than One Year | 19,496,414 | 20,322,806 | (826,392) |
| <i>Total Liabilities</i> | <u>31,286,301</u> | <u>32,402,272</u> | <u>(1,115,971)</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 5,932,465 | 3,872,619 | 2,059,846 |
| Restricted for: | | | |
| Capital Projects | 38,005,505 | 38,545,811 | (540,306) |
| Debt Service | 33,190 | 124,625 | (91,435) |
| Set Asides | 390,222 | 332,760 | 57,462 |
| Other Purposes | 527,028 | 338,145 | 188,883 |
| Unrestricted | 4,703,111 | 3,363,692 | 1,339,419 |
| <i>Total Net Assets</i> | <u>\$49,591,521</u> | <u>\$46,577,652</u> | <u>\$3,013,869</u> |

Current assets increased \$149,666. This increase, coupled with an increase in capital assets of \$1,748,232, resulted in a total increase in assets of \$1,897,898. The increase in capital assets was due to the School District beginning construction on new buildings resulting in construction in progress of \$2,176,059 and purchasing \$73,142 in vehicles offset by the annual depreciation and the disposal of vehicles and furniture and fixtures. Total cash of the School District increased due to the School District receiving an increase in investment earnings from the unspent classroom facilities bond proceeds offset by the decrease in intergovernmental receivables from the School District realizing more of the school facilities revenue.

Total liabilities decreased \$1,115,971 or 3.44 percent mainly due to the School District making principal and interest payments on outstanding debt obligations.

9.48 percent of the School District's net assets reflect its unrestricted net assets. It may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the School District's net assets (78.55 percent) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net assets, \$5,932,465, is investment in capital assets (e.g., land, buildings, equipments, furniture and vehicles), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the School District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007.

| (Table 2) | | | |
|--|---------------------|---------------------|---------------------|
| Change in Net Assets | | | |
| Governmental Activities | | | |
| | 2008 | 2007 | Change |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services and Sales | \$712,425 | \$774,461 | (\$62,036) |
| Operating Grants, Interest and Contributions | 1,517,143 | 1,524,063 | (6,920) |
| Capital Grants, Interest and Contributions | 301,909 | 107,700 | 194,209 |
| <i>Total Program Revenues</i> | <i>2,531,477</i> | <i>2,406,224</i> | <i>125,253</i> |
| General Revenues | | | |
| Property Taxes | 7,666,765 | 7,526,196 | 140,569 |
| Grants and Entitlements not Restricted | 11,643,349 | 49,919,415 | (38,276,066) |
| Investment Earnings | 2,185,789 | 674,926 | 1,510,863 |
| Gain on Sale of Capital Assets | 0 | 1,514 | (1,514) |
| Miscellaneous | 302,051 | 216,868 | 85,183 |
| <i>Total General Revenues</i> | <i>21,797,954</i> | <i>58,338,919</i> | <i>(36,540,965)</i> |
| <i>Total Revenues</i> | <i>24,329,431</i> | <i>60,745,143</i> | <i>(36,415,712)</i> |
| Program Expenses | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 9,005,999 | 8,778,064 | 227,935 |
| Special | 1,833,692 | 1,964,836 | (131,144) |
| Vocational | 321,325 | 337,503 | (16,178) |
| Support Services: | | | |
| Pupils | 1,013,474 | 1,005,484 | 7,990 |
| Instructional Staff | 709,600 | 759,420 | (49,820) |
| Board of Education | 24,261 | 23,525 | 736 |
| Administration | 1,373,636 | 1,532,327 | (158,691) |
| Fiscal | 523,830 | 544,326 | (20,496) |
| Business | 47,702 | 37,717 | 9,985 |
| Operation and Maintenance of Plant | 2,034,832 | 1,906,574 | 128,258 |
| Pupil Transportation | 1,126,723 | 1,121,037 | 5,686 |
| Central | 355,879 | 349,917 | 5,962 |
| Extracurricular Activities | 731,227 | 701,424 | 29,803 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 827,259 | 805,548 | 21,711 |
| Other Non-Instructional Services | 408,845 | 392,370 | 16,475 |
| Interest and Fiscal Charges | 977,278 | 599,675 | 377,603 |
| <i>Total Program Expenses</i> | <i>21,315,562</i> | <i>20,859,747</i> | <i>455,815</i> |
| <i>Increase in Net Assets</i> | <i>3,013,869</i> | <i>39,885,396</i> | <i>(36,871,527)</i> |
| Net Assets Beginning of Year | 46,577,652 | 6,692,256 | 39,885,396 |
| <i>Net Assets End of Year</i> | <i>\$49,591,521</i> | <i>\$46,577,652</i> | <i>\$3,013,869</i> |

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Governmental activities increased the School District's net assets by \$3,013,869. Key elements of this increase are as follows:

- Total revenues decreased by 59.95 percent or \$36,415,712. Program expenses increased by 2.19 percent or \$455,815. However, revenues were still greater than expenses by 14.14 percent.
- The grants and entitlements decreased significantly in fiscal year 2008 by \$38,276,066. An Ohio Schools Facilities grant was realized in fiscal year 2007 which is the reason for the decrease.
- Interest revenue also increased during the current fiscal year, which accounted for \$2,185,789 in total. The rise of interest rates along with having additional cash to invest resulted in a better return on investments.
- Program revenues increased \$125,253 or 5.21 percent. Operating grants, interest and contributions decreased \$6,920 or 0.45 percent due to decreased funding from the Federal and State governments in the current fiscal year.

There was an increase in overall expenses of \$455,815 in comparison to the prior fiscal year that was the result of increases in salaries and benefits for employees coupled with elevated interest and fiscal charges associated with the issuance of the classroom facilities bonds.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2008 compared to 2007.

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

| | 2008 | | 2007 | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$11,161,016 | \$10,042,657 | \$11,080,403 | \$10,131,397 |
| Support Services: | | | | |
| Pupils and Instructional Staff | 1,723,074 | 1,534,034 | 1,764,904 | 1,665,749 |
| Board of Education, Administration, Fiscal and Business | 1,969,429 | 1,922,629 | 2,137,895 | 2,097,885 |
| Operation and Maintenance of Plant | 2,034,832 | 2,024,945 | 1,906,574 | 1,891,914 |
| Pupil Transportation | 1,126,723 | 1,107,865 | 1,121,037 | 934,667 |
| Central | 355,879 | 345,157 | 349,917 | 339,287 |
| Extracurricular Activities | 731,227 | 561,507 | 701,424 | 523,411 |
| Operation of Non- Instructional Services: | | | | |
| Food Service Operations | 827,259 | (29,525) | 805,548 | 3,524 |
| Other Non-Instructional Services | 408,845 | 297,538 | 392,370 | 266,014 |
| Interest and Fiscal Charges | 977,278 | 977,278 | 599,675 | 599,675 |
| <i>Total Expenses</i> | \$21,315,562 | \$18,784,085 | \$20,859,747 | \$18,453,523 |

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 31.51 percent and grants and entitlements account for 47.86 percent of the total revenues in fiscal year 2008. 91.61 percent of instructional activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 89.22 percent of total governmental expenditures.

Financial Analysis of the Government's Funds

Governmental Fund. Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$30,715,682 and expenditures of \$24,075,235. The total governmental fund balance increased \$6,640,447. The net change in the governmental fund balance for the year was most significant in the classroom facilities capital projects fund, where the net assets increased by \$5,477,302 for fiscal year 2008.

Key factors in this increase of fund balance for the major governmental funds are as follows:

- The general fund revenues increased by \$1,229,553 compared to the previous fiscal year. Most of this increase could be traced to an increase in intergovernmental and interest revenue. The general fund expenditures and other financing uses also increased by \$519,788 compared to the prior fiscal year. The largest part of this increase in expenditures is due to increased instruction and pupil transportation expenditures which are directly attributable to the functioning of the School District. Since the School District spent less than it brought in, it resulted in a general fund net change in fund balance of \$1,165,834.
- The classroom facilities capital projects fund brought in \$7,658,936 of revenue and other financing sources during the current fiscal year. Ohio Schools Facilities grant monies were recognized by School District to begin construction of new school buildings. \$2,181,634 was spent for various improvements. The total fund balance increased by \$5,477,302.

General Fund Budgeting Highlights

The School 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 2008 the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was \$19,176,851, higher than the original budget estimate of \$18,238,683. Of this \$938,168 difference, most of it could be accounted for from conservative estimates for property tax and intergovernmental revenues. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue exceeded final budget basis revenue by \$54,663.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was \$2,146,581. The change was mostly contributed to the increase in instruction estimates. Final amended budget appropriations exceeded actual expenditures by \$7,225.

Capital Assets and Long-term Liabilities

Capital Assets. The School District's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$6,604,654 (net of accumulated depreciation). The total increase in the School District's investment in capital assets for the current fiscal year was 36 percent.

(Table 4)
Capital Assets at June 30
Net of Depreciation
Governmental Activities

| | 2008 | 2007 |
|----------------------------|--------------------|--------------------|
| Land | \$462,720 | \$462,720 |
| Construction in Progress | 2,176,059 | 0 |
| Land Improvements | 885,054 | 989,527 |
| Buildings and Improvements | 2,257,991 | 2,461,809 |
| Furniture and Fixtures | 316,009 | 436,887 |
| Vehicles | 506,821 | 505,479 |
| Total | <u>\$6,604,654</u> | <u>\$4,856,422</u> |

While the School District acquired \$73,142 of capital assets comprised of vehicles, \$37,567 of vehicles and \$5,711 of furniture and fixtures were disposed of. The School District also began the beginning phases of construction and testing for the new school buildings which resulted in the increase in construction in progress. Additional information on the School District's capital assets can be found in note 10 of the basic financial statements. During fiscal year 1999, a change in Ohio law required school districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this amount was increased to three percent beginning in fiscal year 2000. For fiscal year 2008, this amounted to \$354,909 for each set aside. Additional information on the School District's set-aside requirements can be found in note 21 of the basic financial statements.

Long-term Liabilities At June 30, 2008, the School District had decreased its outstanding long-term obligation by \$997,593. This decrease is primarily the result of another year of principal payments on all debt issues.

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 5)
Outstanding Long-Term Obligations

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2008 | 2007 |
| Classroom Facilities Bonds | \$18,714,880 | \$19,159,036 |
| Library Improvement Bonds | 495,000 | 645,000 |
| Pool Loan | 232,172 | 348,071 |
| Capital Leases | 440,017 | 635,732 |
| Compensated Absences | 892,132 | 983,955 |
| Totals | <u>\$20,774,201</u> | <u>\$21,771,794</u> |

The School District issued \$18,598,533 in classroom facilities bonds on March 22, 2007, in conjunction with the Ohio School's Facilities Commission (OSFC), to build three new school buildings on a centralized campus. The OSFC has committed 68 cents on each dollar the School District spends on new facilities. Community support will generate the remaining 32 cents. Annual payments are made for twenty-eight years until maturity at December 1, 2034. The bonds are backed by the full faith and credit of the School District.

As of June 30, 2008, the School District's overall legal debt margin was \$725,888 with an unvoted debt margin of \$210,260. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 12 within the Notes to the Basic Financial Statements for further information on debt.

Current Financial Related Activities

The School District has continued to maintain its high standards of service to students, parents and the community. We are continually pressed with challenges and opportunities that compel us to remain proactive in our efforts to provide children with a quality education in an environment that is conducive to learning. Current events, the economy and market conditions have an impact on how the School District conducts business.

The School District has managed its financial operations with prudence, while continually monitoring revenues and expenditures in accordance with the five year forecast. The current forecast projects year-end balances through fiscal year 2013. These surpluses are relative to the many challenges that the School District is faced with.

House Bill 66 effectively eliminated the Tangible Personal Property Tax (TPP). The School District has offset this loss of revenue through State reimbursements and open enrollment dollars. Open enrollment generates roughly \$615,000 in annual revenue for the School District. Without these funds available, the Board of Education would need to look into alternative methods of revenue replacement to help compensate for this shortfall.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The School District's commitment to instruction remains paramount. The School District is actively trying to meet the set-aside requirements passed down from the State level to ensure the highest level of teaching materials and facilities for the true asset of the School District, its students. With this in mind, it remains imperative that the Board of Education and management team continue to carefully plan in order to provide the resources required in meeting the students, parents and communities desired needs over the next several years.

Contacting the School District's Financial Management

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

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Hubbard Exempted Village School District

Statement of Net Assets

June 30, 2008

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$33,394,067 |
| Accounts Receivable | 1,237 |
| Intergovernmental Receivable | 31,762,260 |
| Inventory Held for Resale | 9,124 |
| Materials and Supplies Inventory | 1,790 |
| Prepaid Items | 841 |
| Taxes Receivable | 8,901,198 |
| Deferred Charges | 202,651 |
| Nondepreciable Capital Assets | 2,638,779 |
| Depreciable Capital Assets, Net | <u>3,965,875</u> |
| <i>Total Assets</i> | <u>80,877,822</u> |
| Liabilities | |
| Accounts Payable | 31,221 |
| Accrued Wages | 1,732,553 |
| Intergovernmental Payable | 567,412 |
| Matured Compensated Absences Payable | 106,830 |
| Accrued Interest Payable | 67,245 |
| Deferred Revenue | 7,937,609 |
| Vacation Benefits Payable | 69,230 |
| Long-Term Liabilities: | |
| Due Within One Year | 1,277,787 |
| Due in More Than One Year | <u>19,496,414</u> |
| <i>Total Liabilities</i> | <u>31,286,301</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 5,932,465 |
| Restricted for: | |
| Capital Projects | 38,005,505 |
| Debt Service | 33,190 |
| Set Asides | 390,222 |
| Other Purposes | 527,028 |
| Unrestricted | <u>4,703,111</u> |
| <i>Total Net Assets</i> | <u><u>\$49,591,521</u></u> |

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2008

| | Program Revenues | | | | Net |
|--|---------------------|-----------------------------------|--|--|---|
| | Expenses | Charges for Services and Sales | Operating Grants, Interest and Contributions | Capital Grants, Interest and Contributions | Revenue/(Expense) and Changes in Net Assets |
| Governmental Activities | | | | | Governmental Activities |
| Instruction: | | | | | |
| Regular | \$9,005,999 | \$67,171 | \$96,607 | \$287,773 | (\$8,554,448) |
| Special | 1,833,692 | 6,048 | 659,157 | 0 | (1,168,487) |
| Vocational | 321,325 | 1,603 | 0 | 0 | (319,722) |
| Support Services: | | | | | |
| Pupils | 1,013,474 | 5,946 | 12,345 | 0 | (995,183) |
| Instructional Staff | 709,600 | 3,757 | 166,992 | 0 | (538,851) |
| Board of Education | 24,261 | 121 | 0 | 0 | (24,140) |
| Administration | 1,373,636 | 23,255 | 7,827 | 0 | (1,342,554) |
| Fiscal | 523,830 | 2,497 | 12,862 | 0 | (508,471) |
| Business | 47,702 | 238 | 0 | 0 | (47,464) |
| Operation and Maintenance of Plant | 2,034,832 | 9,887 | 0 | 0 | (2,024,945) |
| Pupil Transportation | 1,126,723 | 4,722 | 0 | 14,136 | (1,107,865) |
| Central | 355,879 | 1,722 | 9,000 | 0 | (345,157) |
| Extracurricular Activities | 731,227 | 169,720 | 0 | 0 | (561,507) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 827,259 | 414,271 | 442,513 | 0 | 29,525 |
| Other Non-Instructional Services | 408,845 | 1,467 | 109,840 | 0 | (297,538) |
| Interest and Fiscal Charges | 977,278 | 0 | 0 | 0 | (977,278) |
| Totals | \$21,315,562 | \$712,425 | \$1,517,143 | 301,909 | (18,784,085) |

General Revenues

Property Taxes Levied for:

 General Purposes 6,404,990

 Debt Service 1,155,572

 Classroom Facilities 106,203

Grants and Entitlements not Restricted

to Specific Programs 11,643,349

Investment Earnings 2,185,789

Miscellaneous 302,051

Total General Revenues 21,797,954

Change in Net Assets 3,013,869

Net Assets Beginning of Year 46,577,652

Net Assets End of Year \$49,591,521

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2008*

| | <u>General</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------------------|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,811,904 | \$24,288,553 | \$1,890,823 | \$32,991,280 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 402,787 | 0 | 0 | 402,787 |
| Receivables: | | | | |
| Taxes | 7,460,867 | 0 | 1,440,331 | 8,901,198 |
| Accounts | 738 | 0 | 499 | 1,237 |
| Intergovernmental | 0 | 31,700,523 | 61,737 | 31,762,260 |
| Prepaid Items | 841 | 0 | 0 | 841 |
| Interfund Receivable | 222,107 | 0 | 0 | 222,107 |
| Inventory Held for Resale | 0 | 0 | 9,124 | 9,124 |
| Materials and Supplies Inventory | 0 | 0 | 1,790 | 1,790 |
| <i>Total Assets</i> | <u>\$14,899,244</u> | <u>\$55,989,076</u> | <u>\$3,404,304</u> | <u>\$74,292,624</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$15,284 | \$0 | \$15,937 | \$31,221 |
| Accrued Wages | 1,579,124 | 0 | 153,429 | 1,732,553 |
| Intergovernmental Payable | 523,495 | 0 | 43,917 | 567,412 |
| Interfund Payable | 0 | 0 | 222,107 | 222,107 |
| Deferred Revenue | 7,422,311 | 31,700,523 | 1,494,040 | 40,616,874 |
| Matured Compensated Absences Payable | 106,830 | 0 | 0 | 106,830 |
| <i>Total Liabilities</i> | <u>9,647,044</u> | <u>31,700,523</u> | <u>1,929,430</u> | <u>43,276,997</u> |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 19,116 | 9,620 | 34,093 | 62,829 |
| Reserved for Property Taxes | 38,556 | 0 | 7,399 | 45,955 |
| Reserved for Unclaimed Monies | 12,565 | 0 | 0 | 12,565 |
| Reserved for Textbooks | 323,327 | 0 | 0 | 323,327 |
| Reserved for Budget Stabilization | 66,895 | 0 | 0 | 66,895 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 4,791,741 | 0 | 0 | 4,791,741 |
| Special Revenue Funds | 0 | 0 | 478,543 | 478,543 |
| Debt Service Fund | 0 | 0 | 451,011 | 451,011 |
| Capital Projects Funds | 0 | 24,278,933 | 503,828 | 24,782,761 |
| <i>Total Fund Balances</i> | <u>5,252,200</u> | <u>24,288,553</u> | <u>1,474,874</u> | <u>31,015,627</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$14,899,244</u> | <u>\$55,989,076</u> | <u>\$3,404,304</u> | <u>\$74,292,624</u> |

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

| | | |
|---|--------------|---------------------|
| Total Governmental Funds Balances | | \$31,015,627 |
| <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. | | 6,604,654 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property Taxes | 917,634 | |
| Grants | 61,108 | |
| School Facilities Money | 31,700,523 | |
| Total | | 32,679,265 |
| In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued. | | 202,651 |
| In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (67,245) |
| Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds. | | (69,230) |
| Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Classroom Facilities Bonds | (18,178,363) | |
| Bond Premium | (536,517) | |
| Library Improvement Bonds | (495,000) | |
| Pool Loan | (232,172) | |
| Capital Lease Payable | (440,017) | |
| Compensated Absences | (892,132) | |
| Total | | (20,774,201) |
| <i>Net Assets of Governmental Activities</i> | | \$49,591,521 |

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

| | General | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$6,247,829 | \$0 | \$1,286,112 | \$7,533,941 |
| Intergovernmental | 11,497,281 | 6,818,492 | 1,605,244 | 19,921,017 |
| Interest | 1,314,203 | 838,183 | 74,110 | 2,226,496 |
| Charges for Services | 0 | 0 | 414,271 | 414,271 |
| Tuition and Fees | 61,345 | 0 | 21,736 | 83,081 |
| Extracurricular Activities | 0 | 0 | 185,477 | 185,477 |
| Rentals | 27,197 | 0 | 2,399 | 29,596 |
| Contributions and Donations | 1,152 | 0 | 18,600 | 19,752 |
| Miscellaneous | 251,977 | 0 | 50,074 | 302,051 |
| <i>Total Revenues</i> | <u>19,400,984</u> | <u>7,656,675</u> | <u>3,658,023</u> | <u>30,715,682</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,720,924 | 0 | 129,875 | 8,850,799 |
| Special | 1,210,559 | 0 | 617,229 | 1,827,788 |
| Vocational | 318,984 | 0 | 0 | 318,984 |
| Support Services: | | | | |
| Pupils | 988,802 | 0 | 20,749 | 1,009,551 |
| Instructional Staff | 670,822 | 0 | 27,745 | 698,567 |
| Board of Education | 24,261 | 0 | 0 | 24,261 |
| Administration | 1,353,050 | 0 | 13,492 | 1,366,542 |
| Fiscal | 500,153 | 0 | 23,388 | 523,541 |
| Business | 47,355 | 0 | 0 | 47,355 |
| Operation and Maintenance of Plant | 1,999,722 | 0 | 0 | 1,999,722 |
| Pupil Transportation | 959,203 | 0 | 150,821 | 1,110,024 |
| Central | 344,059 | 0 | 9,000 | 353,059 |
| Extracurricular Activities | 409,557 | 0 | 209,551 | 619,108 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 0 | 0 | 825,229 | 825,229 |
| Other Non-Instructional Services | 296,843 | 0 | 102,956 | 399,799 |
| Capital Outlay | 0 | 2,181,634 | 20,552 | 2,202,186 |
| Debt Service: | | | | |
| Principal Retirement | 58,350 | 0 | 848,264 | 906,614 |
| Interest and Fiscal Charges | 7,524 | 0 | 984,582 | 992,106 |
| <i>Total Expenditures</i> | <u>17,910,168</u> | <u>2,181,634</u> | <u>3,983,433</u> | <u>24,075,235</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>1,490,816</u> | <u>5,475,041</u> | <u>(325,410)</u> | <u>6,640,447</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 0 | 2,261 | 322,721 | 324,982 |
| Transfers Out | (324,982) | 0 | 0 | (324,982) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(324,982)</u> | <u>2,261</u> | <u>322,721</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 1,165,834 | 5,477,302 | (2,689) | 6,640,447 |
| <i>Fund Balances Beginning of Year</i> | <u>4,086,366</u> | <u>18,811,251</u> | <u>1,477,563</u> | <u>24,375,180</u> |
| <i>Fund Balances End of Year</i> | <u>\$5,252,200</u> | <u>\$24,288,553</u> | <u>\$1,474,874</u> | <u>\$31,015,627</u> |

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
*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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$6,640,447

*Amounts reported for governmental activities in the
statement of activities are different because:*

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 capital outlays exceeded depreciation in the current period.

| | | |
|---------------------------|-----------|------------------|
| Capital Asset Additions | 2,249,201 | |
| Current Year Depreciation | (500,969) | |
| | | |
| Total | | 1,748,232 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|-------------------------|-------------|--------------------|
| Property Taxes | 132,824 | |
| Grants | 28,094 | |
| School Facilities Money | (6,547,169) | |
| | | |
| Total | | (6,386,251) |

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 906,614

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|--------------------------------|---------|---------------|
| Accrued Interest | 23,248 | |
| Amortization of Issuance Costs | (7,576) | |
| Amortization of Bond Premium | (844) | |
| | | |
| Total | | 14,828 |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|---------------------------|---------|---------------|
| Compensated Absences | 91,823 | |
| Vacation Benefits Payable | (1,824) | |
| | | |
| Total | | 89,999 |

Change in Net Assets of Governmental Activities \$3,013,869

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance With Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$5,906,552 | \$6,229,117 | \$6,229,117 | \$0 |
| Intergovernmental | 10,901,913 | 11,497,281 | 11,497,281 | 0 |
| Interest | 1,103,898 | 1,134,259 | 1,164,183 | 29,924 |
| Tuition and Fees | 58,168 | 61,345 | 61,345 | 0 |
| Rentals | 25,789 | 27,197 | 27,197 | 0 |
| Contributions and Donations | 1,092 | 1,152 | 1,152 | 0 |
| Miscellaneous | 241,271 | 226,500 | 251,239 | 24,739 |
| <i>Total Revenues</i> | <u>18,238,683</u> | <u>19,176,851</u> | <u>19,231,514</u> | <u>54,663</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,585,213 | 8,618,916 | 8,616,371 | 2,545 |
| Special | 1,056,550 | 1,200,535 | 1,200,257 | 278 |
| Vocational | 277,481 | 315,296 | 315,296 | 0 |
| Support Services: | | | | |
| Pupils | 863,389 | 981,050 | 978,416 | 2,634 |
| Instructional Staff | 595,818 | 677,015 | 676,250 | 765 |
| Board of Education | 21,366 | 24,278 | 24,278 | 0 |
| Administration | 1,294,503 | 1,470,916 | 1,469,913 | 1,003 |
| Fiscal | 444,335 | 504,888 | 504,888 | 0 |
| Business | 41,015 | 46,604 | 46,604 | 0 |
| Operation and Maintenance of Plant | 1,758,834 | 1,998,525 | 1,998,525 | 0 |
| Pupil Transportation | 851,590 | 967,644 | 967,644 | 0 |
| Central | 346,936 | 394,216 | 394,216 | 0 |
| Extracurricular Activities | 356,827 | 405,456 | 405,456 | 0 |
| Operation of Non-Instructional Services: | | | | |
| Other Non-Instructional Services | 257,552 | 292,651 | 292,651 | 0 |
| <i>Total Expenditures</i> | <u>15,751,409</u> | <u>17,897,990</u> | <u>17,890,765</u> | <u>7,225</u> |
| <i>Excess of Revenues Over Expenditures</i> | <u>2,487,274</u> | <u>1,278,861</u> | <u>1,340,749</u> | <u>61,888</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 0 | 0 | 1,514 | 1,514 |
| Advances Out | (7,107) | (7,107) | (7,107) | 0 |
| Transfers Out | (324,982) | (324,982) | (324,982) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(332,089)</u> | <u>(332,089)</u> | <u>(330,575)</u> | <u>1,514</u> |
| <i>Net Change in Fund Balance</i> | 2,155,185 | 946,772 | 1,010,174 | 63,402 |
| <i>Fund Balance Beginning of Year</i> | 6,268,868 | 6,268,868 | 6,268,868 | 0 |
| Prior Year Encumbrances Appropriated | 8,177 | 8,177 | 8,177 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$8,432,230</u> | <u>\$7,223,817</u> | <u>\$7,287,219</u> | <u>\$63,402</u> |

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2008

| | |
|--|------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$114,663</u> |
| Liabilities | |
| Due to Students | <u>\$114,663</u> |

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 - Description of the School District and Reporting Entity

Hubbard Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The School District ranks as the 236th largest by enrollment among the 615 public school districts in the State. The Board of Education controls the School District's 3 instructional facilities staffed by 78 classified employees, 150 certified employees and 14 administrators who provide services to 2,069 students in grades K through 12 and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with three jointly governed organizations, a related organization and an insurance purchasing pool. These organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center, the North East Ohio Instructional Media Center, the Hubbard Public Library, and the Ohio School Boards' Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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 are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Capital Projects Fund The classroom facilities capital projects fund accounts for the proceeds of notes and bonds as well as grants for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Type 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District had no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School 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 in which the taxes are levied (See Note 7). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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, 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, 2008, but which were levied to finance fiscal year 2009 operations, 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 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2008, investments were limited to repurchase agreements, federal home loan bank notes, federal home loan mortgage corporation notes and federal national mortgage association notes.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$1,314,203, of which \$833,175 was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

H. Restricted Assets

Assets reported as restricted when limitations on their use change in nature or normal understanding of the availability of the net asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside to create a reserve for the purchase of textbooks and a reserve for budget stabilization, as well as money set aside as unclaimed monies. See Note 21 for additional information regarding set asides.

I. Capital Assets

The School District's only capital assets are general capital assets. 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. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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:

| Description | Governmental Activities Estimated Lives |
|----------------------------|---|
| Land Improvements | 10 - 45 years |
| Buildings and Improvements | 10 - 50 years |
| Furniture and Fixtures | 5 - 20 years |
| Vehicles | 5 - 20 years |

J. 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 of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for 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 within the School District.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

L. Accrued Liabilities and Long-term Obligations

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and 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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

M. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, unclaimed monies, textbooks and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for budget stabilization represents money required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$38,955,945, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for grants, auxiliary services and extracurricular activities.

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

P. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the classroom facilities improvement bonds are being amortized using the straight-line method over the life of the certificates on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the fund financial statements, these costs are reported as expenditures in the year incurred.

Q. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. Estimates

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

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 3 – Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of this statement did not result in any change to the financial statements. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$41,853 and \$13,441, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Accountability

Fund balances at June 30, 2008, included the following individual fund deficits:

| | |
|------------------------------|----------|
| Special Revenue Funds | |
| Title I | \$38,874 |
| Poverty Based Assistance | 7,803 |
| Title II-A | 7,267 |
| Miscellaneous Federal Grants | 6,030 |
| Capital Projects Fund | |
| Permanent Improvement | 162,838 |

The special revenue funds’ and permanent improvement capital projects fund’s deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 5 - Budgetary Basis of Accounting

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments reported at cost (budget) rather than at fair value (GAAP).
5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements are as follows:

| Net Change in Fund Balance | |
|---|---------------------------|
| GAAP Basis | \$1,165,834 |
| Net Adjustment for Revenue Accruals | (17,936) |
| Beginning Fair Value Adjustment for Investments | (253,889) |
| Ending Fair Value Adjustment for Investments | 103,869 |
| Net Adjustment for Expenditure Accruals | 50,744 |
| Advances Out | (7,107) |
| Encumbrances | <u>(31,341)</u> |
| Budget Basis | <u><u>\$1,010,174</u></u> |

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public monies that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$6,791,668 of the School District's bank balance of \$7,052,890 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had the following investments:

| | Maturity | | | Total |
|---|-------------------------|--|-----------------------|---------------------|
| | Less Than Six Months | More Than Six Months But Less than One Year | More than One Year | |
| Repurchase Agreements | \$2,761,143 | \$0 | \$0 | \$2,761,143 |
| Federal Home Loan Bank Notes | 0 | 1,500,465 | 9,520,200 | 11,020,665 |
| Federal Home Loan Mortgage Corporation Notes | 0 | 0 | 4,899,588 | 4,899,588 |
| Federal National Mortgage Association Notes | 0 | 0 | 6,725,878 | 6,725,878 |
| Total Portfolio | <u>\$2,761,143</u> | <u>\$1,500,465</u> | <u>\$21,145,666</u> | <u>\$25,407,274</u> |

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The underlying securities of the Repurchase Agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes all carry a credit rating of AAA by Standard and Poors. The School District has no investment policy that addresses credit risk.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2008:

| <u>Investment Issuer</u> | <u>Percentage of Investments</u> |
|--|----------------------------------|
| Repurchase Agreements | 10.87 % |
| Federal Home Loan Bank Notes | 43.38 |
| Federal Home Loan Mortgage Corporation Notes | 19.28 |
| Federal National Mortgage Association Notes | 26.47 |

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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 School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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, 2008 was \$38,556 in the general fund, \$6,888 in the bond retirement fund and \$511 in the classroom facilities fund. The amount available as an advance at June 30, 2007 was \$19,844 in the general fund and \$5,573 in the bond retirement 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 2008 taxes were collected are:

| | 2007 Second Half Collections | | 2008 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$205,328,340 | 91.10% | \$206,809,910 | 95.35% |
| Public Utility Personal | 6,119,710 | 2.72 | 5,062,700 | 2.33 |
| General Business Personal | 13,917,732 | 6.18 | 5,020,616 | 2.32 |
| Total | <u>\$225,365,782</u> | <u>100.00%</u> | <u>\$216,893,226</u> | <u>100.00%</u> |
| Full Tax Rate per \$1,000 of assessed valuation | \$58.85 | | \$58.45 | |

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. 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. All receivables, except for delinquent property taxes and the Ohio Schools Facilities grant, are expected to be collected within one year.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

A summary of the principal items of intergovernmental receivables follows:

| <u>Intergovernmental Receivables</u> | <u>Amounts</u> |
|--------------------------------------|---------------------|
| Ohio School Facilities Grant | \$31,700,523 |
| Title I | 43,114 |
| Title VI-B | 9,202 |
| Title V | 5,133 |
| Title II-A | 3,058 |
| Drug Free Schools | 629 |
| Miscellaneous Federal Grants | 601 |
| Total | <u>\$31,762,260</u> |

In November of 2006, the School District signed an agreement with the Ohio Schools Facilities Commission to build new school buildings. Under this agreement, the State share is \$38,627,692 and the local share is \$18,177,738. This receivable will not be collected within one year.

Note 9 - Interfund Transfers and Balances

A. Interfund Transfers

The general fund transferred \$2,261 and \$274,901, respectively, to the classroom facilities and permanent improvement capital projects funds to finance capital outlay purchases and to help fund lease payments. The general fund transferred \$47,820 to the district managed activities special revenue fund to help fund athletic events.

B. Interfund Balances

Interfund balances at June 30, 2008, consist of an interfund receivable/payable between the general fund and the permanent improvement capital projects fund in the amount of \$215,000. This loan, used to supplement prior year lease purchase proceeds, is expected to be repaid over the next three years. Other interfund balances consist of interfund receivable/payable between the general fund and the student intervention, drug free schools and miscellaneous federal grants special revenue funds in the amounts of \$448, \$629 and \$6,030 respectively. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | Balance June 30, 2007 | Additions | Deletions | Balance June 30, 2008 |
|--|--------------------------|-------------|-----------|--------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$462,720 | \$0 | \$0 | \$462,720 |
| Construction in Progress | 0 | 2,176,059 | 0 | 2,176,059 |
| <i>Total Nondepreciable Capital Assets</i> | 462,720 | 2,176,059 | 0 | 2,638,779 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 1,764,980 | 0 | 0 | 1,764,980 |
| Buildings and Improvements | 10,173,698 | 0 | 0 | 10,173,698 |
| Furniture and Fixtures | 1,023,114 | 0 | (5,711) | 1,017,403 |
| Vehicles | 1,529,722 | 73,142 | (37,567) | 1,565,297 |
| <i>Total at Historical Cost</i> | 14,491,514 | 73,142 | (43,278) | 14,521,378 |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | (805,798) | (74,128) | 0 | (879,926) |
| Buildings and Improvements | (7,711,889) | (203,818) | 0 | (7,915,707) |
| Furniture and Fixtures | (586,227) | (120,878) | 5,711 | (701,394) |
| Vehicles | (993,898) | (102,145) | 37,567 | (1,058,476) |
| <i>Total Accumulated Depreciation</i> | (10,097,812) | (500,969) * | 43,278 | (10,555,503) |
| <i>Depreciable Capital Assets, Net of Accumulated Depreciation</i> | 4,393,702 | (427,827) | 0 | 3,965,875 |
| <i>Governmental Activities Capital Assets, Net</i> | \$4,856,422 | \$1,748,232 | \$0 | \$6,604,654 |

* Depreciation expense was charged to governmental functions as follows:

| | |
|--|-----------|
| Instruction | |
| Regular | \$208,689 |
| Support Services | |
| Pupils | 2,071 |
| Instructional Staff | 7,999 |
| Administration | 1,510 |
| Operation and Maintenance of Plant | 53,156 |
| Pupil Transportation | 102,652 |
| Central | 1,779 |
| Extracurricular Activities | 112,119 |
| Operation of Non-Instructional Services: | |
| Food Service Operations | 1,457 |
| Other Non-Instructional Services | 9,537 |
| Total Depreciation Expense | \$500,969 |

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 11 – Capital Leases

In prior years, the School District has entered into a copier lease and an OASBO lease for new windows in the high school, a new drainage system in the stadium and boiler replacement. The lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of June 30, 2008 follow:

| | Amounts |
|--------------------------------|-------------|
| Asset: | |
| Equipment | \$1,165,651 |
| Less: Accumulated depreciation | (440,564) |
| Current Book Value | \$725,087 |

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

| | Amounts |
|---|-----------|
| 2009 | \$209,602 |
| 2010 | 157,993 |
| 2011 | 99,426 |
| Total Mimimum Lease Payments | 467,021 |
| Less: Amount representing interest | (27,004) |
| Present Value of Mimimum Lease Payments | \$440,017 |

Capital lease payments have been reclassified and reflected as debt service in the fund financial statements for the general and permanent improvement capital projects funds. These expenditures are reflected as program expenditures on a budgetary basis.

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

| | Principal Outstanding June 30, 2007 | Additions | Deductions | Principal Outstanding June 30, 2008 | Amount Due in One Year |
|--|---|-----------------|--------------------|---|------------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds | | | | | |
| 2007 Classroom Facilities Improvement Bonds | | | | | |
| Current Interest Serial Bonds 3.6 - 4.00 % | \$5,010,000 | \$0 | (\$445,000) | \$4,565,000 | \$365,000 |
| Capital Appreciation Bonds 4.10 % | 203,533 | 0 | 0 | 203,533 | 0 |
| Accretion on Capital Appreciation Bonds | 3,929 | 20,901 | 0 | 24,830 | 0 |
| Current Interest Term Bonds 4.25 - 5.00 % | 13,385,000 | 0 | 0 | 13,385,000 | 0 |
| Premium on Bonds | 556,574 | 0 | (20,057) | 536,517 | 0 |
| Total Classroom Facilities Improvement Bonds | 19,159,036 | 20,901 | (465,057) | 18,714,880 | 365,000 |
| Library Improvement Bonds 2.4% | 645,000 | 0 | (150,000) | 495,000 | 155,000 |
| <i>Total General Obligation Bonds</i> | <i>\$19,804,036</i> | <i>\$20,901</i> | <i>(\$615,057)</i> | <i>\$19,209,880</i> | <i>\$520,000</i> |

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

| | Principal Outstanding June 30, 2007 | Additions | Deductions | Principal Outstanding June 30, 2008 | Amount Due in One Year |
|--|---|------------------|----------------------|---|------------------------------|
| Governmental Activities | | | | | |
| Other Long-term Obligations | | | | | |
| Pool Loan | \$348,071 | \$0 | (\$115,899) | \$232,172 | \$120,737 |
| Capital Leases | 635,732 | 0 | (195,715) | 440,017 | 193,524 |
| Compensated Absences | 983,955 | 457,916 | (549,739) | 892,132 | 443,526 |
| <i>Total Other Long-term Obligations</i> | <u>1,967,758</u> | <u>457,916</u> | <u>(861,353)</u> | <u>1,564,321</u> | <u>757,787</u> |
| <i>Total Governmental Activities</i> | | | | | |
| <i>Long-Term Liabilities</i> | <u>\$21,771,794</u> | <u>\$478,817</u> | <u>(\$1,476,410)</u> | <u>\$20,774,201</u> | <u>\$1,277,787</u> |

On March 22, 2007, the School District issued \$18,598,533 in voted general obligation classroom facilities improvement bonds which include serial, term and capital appreciation (deep discount) bonds in the amounts of \$5,010,000, \$13,385,000 and \$203,533, respectively. The general obligation bonds were issued for a twenty-nine year period with final maturity at December 1, 2034.

The capital appreciation bonds were originally sold at a discount of \$311,467, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is fiscal year 2017.

The maturity amount of outstanding capital appreciation bonds is \$515,000. The accretion recorded for fiscal year 2008 was \$20,901, for a total outstanding bond liability of \$228,363 at June 30, 2008.

The term bonds maturing on December 1, 2021, 2023, 2027, 2030 and 2034 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

| Year | Issue | | | | |
|------------------------|------------------|------------------|--------------------|--------------------|--------------------|
| | \$1,175,000 | \$1,380,000 | \$2,970,000 | \$2,820,000 | \$5,040,000 |
| 2020 | \$570,000 | \$0 | \$0 | \$0 | \$0 |
| 2022 | 0 | 670,000 | 0 | 0 | 0 |
| 2024 | 0 | 0 | 615,000 | 0 | 0 |
| 2025 | 0 | 0 | 745,000 | 0 | 0 |
| 2026 | 0 | 0 | 785,000 | 0 | 0 |
| 2028 | 0 | 0 | 0 | 895,000 | 0 |
| 2029 | 0 | 0 | 0 | 940,000 | 0 |
| 2031 | 0 | 0 | 0 | 0 | 1,150,000 |
| 2032 | 0 | 0 | 0 | 0 | 1,215,000 |
| 2033 | 0 | 0 | 0 | 0 | 1,285,000 |
| Total | <u>\$570,000</u> | <u>\$670,000</u> | <u>\$2,145,000</u> | <u>\$1,835,000</u> | <u>\$3,650,000</u> |
| <i>Stated Maturity</i> | <i>12/1/2021</i> | <i>12/1/2023</i> | <i>12/1/2027</i> | <i>12/1/2030</i> | <i>12/1/2034</i> |

The remaining principal amount of the term bonds (\$605,000, \$710,000, \$825,000, \$985,000, and \$1,390,000) will mature at the stated maturity.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

On October 25, 2001, the School District issued \$1,400,000 in general obligation library improvement bonds on behalf of the Hubbard Public Library. The bonds were issued for a ten year period with a final maturity at December 1, 2010 and are backed by the full faith and credit of the School District.

On November 22, 2004, the School District received \$575,000 in proceeds from a loan. The loan bears an interest rate of 4.017 percent, the proceeds of which were used to finance renovations to the community pool complex. The loan matures in 2010.

The general obligation classroom facilities and library improvement bonds will be paid from the bond retirement debt service fund. The pool loan will be paid from the permanent improvement capital projects fund. The compensated absences will be paid from the general fund and the food service and title VI-B special revenue funds. Capital leases will be paid from the general and the permanent improvement capital projects funds.

The overall debt margin of the School District as of June 30, 2008 was \$725,888 with an unvoted debt margin of \$210,260. Principal and interest requirements to retire general obligation bonds and the pool loan outstanding at June 30, 2008 are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds - Classroom Facilities Bonds | | | | | |
|-------------------------------|---|--------------------|----------------------|------------------|---------------------|--------------------|
| | Serial | | Capital Appreciation | | Term | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$365,000 | \$799,645 | \$0 | \$0 | \$0 | \$0 |
| 2010 | 355,000 | 785,245 | 0 | 0 | 0 | 0 |
| 2011 | 370,000 | 771,485 | 0 | 0 | 0 | 0 |
| 2012 | 385,000 | 757,125 | 0 | 0 | 0 | 0 |
| 2013 | 405,000 | 741,325 | 0 | 0 | 0 | 0 |
| 2014 - 2018 | 1,720,000 | 2,794,901 | 203,533 | 991,891 | 0 | 0 |
| 2019 - 2023 | 965,000 | 1,292,549 | 0 | 0 | 1,845,000 | 1,744,100 |
| 2024 - 2028 | 0 | 0 | 0 | 0 | 3,680,000 | 2,269,913 |
| 2029 - 2033 | 0 | 0 | 0 | 0 | 5,185,000 | 1,326,975 |
| 2034 - 2035 | 0 | 0 | 0 | 0 | 2,675,000 | 136,375 |
| Total | \$4,565,000 | \$7,942,275 | \$203,533 | \$991,891 | \$13,385,000 | \$5,477,363 |

| Fiscal Year Ending June 30 | General Obligation Bonds | | | |
|-------------------------------|--------------------------|-----------------|------------------|-----------------|
| | Library Improvement | | Pool Loan | |
| | Principal | Interest | Principal | Interest |
| 2009 | \$155,000 | \$22,545 | \$120,737 | \$6,582 |
| 2010 | 165,000 | 13,905 | 111,435 | 5,274 |
| 2011 | 175,000 | 9,450 | 0 | 0 |
| Total | \$495,000 | \$45,900 | \$232,172 | \$11,856 |

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 13 - Risk Management

A. Property and Liability

The School 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. During fiscal year 2008, the School District contracted with Indiana Insurance for various types of insurance. Coverage is as follows:

| Coverage | Amount |
|--|--------------|
| Blanket Building and Contents (\$1,000 Deductible) | \$48,674,943 |
| Fleet Insurance | 1,000,000 |
| Uninsured Motorist Accident - per Occurrence | 250,000 |
| Aggregate | 1,000,000 |
| General Liability - per Occurrence | 1,000,000 |
| Aggregate | 2,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

B. Worker's Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$16,260 to NEOMIN during fiscal year 2008.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center The North East Ohio Instructional medial Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on the use of media materials. The School District paid \$2,568 to NEOIMC during fiscal year 2008.

NEOIMC is governed by the advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Note 15 – Related Organization

Hubbard Public Library The Hubbard Public Library (the “Library”) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a seven member Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Hubbard Public Library, Debra Carsone, Clerk/Treasurer, at 436 West Liberty Street, Hubbard, Ohio 44425.

Note 16 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 17 – Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$246,175, \$251,558 and \$263,739 respectively; 52.34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,106,125, \$1,093,812 and \$1,122,079 respectively; 82.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$5,272 made by the School District and \$27,464 made by the plan members.

Note 18 – Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$52,010.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$112,338, \$86,846 and \$100,326 respectively; 52.34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$17,738, \$17,106 and \$20,991 respectively; 52.34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$85,087, \$84,139 and \$86,314 respectively; 83.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 19 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees at the end of each contract year depending upon negotiated agreements or upon termination of employment. Teachers and most administrators do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 260 days for regular classified and certified employees. Maximum sick leave accumulation for individuals on administrative contracts varies depending on the number of days in the administrator's work year. Upon retirement, all employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 80 days.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

B. Employee Benefits

The School 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, dental and vision plan, which is administered by United Health Care located in Cleveland, Ohio. The traditional plan has a \$200 deductible for single and a \$400 deductible for family. The premiums are set up on a four - tier system.

| <u>Premiums By Plan Type</u> | <u>Single</u> | <u>Employee and Spouse</u> | <u>Employee and Child(ren)</u> | <u>Family</u> |
|------------------------------|---------------|----------------------------|--------------------------------|---------------|
| Medical Plan | \$462.57 | \$971.40 | \$878.88 | \$1,387.00 |
| Dental Plan | 31.21 | 53.23 | 66.80 | 97.67 |
| Vision Plan | 7.26 | 14.20 | 14.88 | 21.47 |

Employees working less than 35 hours per week are expected to pay a percentage of all health premiums based on the number of hours they work per day. All full time employees pay 4 percent of health and dental and receive vision at 100 percent employer paid.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

As of June 30, 2008, the School District was party to legal proceedings. A suit was brought against the School District in the Trumbull County Common Pleas Court seeking compensation in the amounts of \$25,000 in monetary damages and \$500,000 in punitive damages as well as court and attorney fees and any other damages deemed fair, just and equitable. As of July 21, 2008, the suit was dropped.

Note 21 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

| | Textbooks Instructional Materials Reserve | Capital Improvements Reserve | Budget Stabilization Reserve |
|---|--|------------------------------------|------------------------------------|
| Set-Aside Reserve Balance as of June 30, 2007 | \$265,865 | \$0 | \$66,895 |
| Current Year Set-aside Requirement | 354,909 | 354,909 | 0 |
| Current Year Offset | 0 | (18,153,533) | 0 |
| Qualifying Disbursements | <u>(297,447)</u> | <u>(48,518)</u> | <u>0</u> |
| Total | <u>\$323,327</u> | <u>(\$17,847,142)</u> | <u>\$66,895</u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>\$323,327</u> | <u>(\$17,847,142)</u> | <u>\$66,895</u> |
| Set-aside Reserve Balance as of June 30, 2008 | <u>\$323,327</u> | <u>\$0</u> | <u>\$66,895</u> |

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set aside amount to below zero. This extra amount may be used to reduce the set-aside requirement of future years. The total reserve balance for set-asides at the end of the fiscal year was \$390,222.

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|---|------------------------------------|-----------------------------|------------------------------|-----------------------------|----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Food Distribution Program | N/A | 10.550 | | \$111,573 | | \$111,573 |
| <i>Nutrition Cluster:</i> | | | | | | |
| National School Breakfast Program | 05PU-2007 05PU-2008 | 10.553 | \$3,816 38,205 42,021 | | \$3,816 38,205 42,021 | |
| National School Lunch Program | LLP4-2007 LLP4-2008 | 10.555 | 30,721 283,229 | | 30,721 283,229 | |
| <i>Subtotal - Nutrition Cluster</i> | | | 313,950 | | 313,950 | |
| Total U.S. Department of Agriculture | | | 355,971 | 111,573 | 355,971 | 111,573 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| <i>Special Education Cluster:</i> | | | | | | |
| Special Education Grants to States (IDEA Part B) | 6B-SF-07 6B-SF-08 | 84.027 | (5,122) 496,942 | | 46,779 443,040 | |
| <i>Subtotal - Special Education Cluster</i> | | | 491,820 | | 489,819 | |
| Grants to Local Educational Agencies (ESEA Title I) | C1-S1-07 C1-S1-08 | 84.010 | 26,652 263,344 | | 40,858 257,283 | |
| <i>Subtotal - CFDA 84.010</i> | | | 289,996 | | 298,141 | |
| Drug-Free Schools Grant | DR-S1-08 | 84.186 | 8,986 | | 9,615 | |
| Foreign Language Assistance | | 84.293 | 1,424 | | 7,455 | |
| Innovative Educational Program | C2-S1-08 | 84.298 | 332 | | 212 | |
| Title II-D, Technology | TJ-S1-07 TJ-S1-08 | 84.318 | (122) 1,800 | | 1,800 | |
| <i>Subtotal - CFDA 84.318</i> | | | 1,678 | | 1,800 | |
| Title II-A, Improving Student Quality | TR-S1-07 TR-S1-08 | 84.367 | 8,914 89,574 | | 12,999 82,207 | |
| <i>Subtotal - CFDA 84.367</i> | | | 98,488 | | 95,206 | |
| Total U.S. Department of Education | | | 892,724 | | 902,248 | |
| Totals | | | \$1,248,695 | \$111,573 | \$1,258,219 | \$111,573 |

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D – CARRYOVER FUNDS

A negative receipt is shown in the Title VI-B, CFDA 84.027 and Title II-D, Technology, CFDA 84.318. These negative receipts represent money that was unspent after the initial period of availability. This money was added to the subsequent fiscal year award in accordance with allowable carryover provisions.



Mary Taylor, CPA

Auditor of State

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

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

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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2009. 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 Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 31, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Hubbard Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Hubbard Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 31, 2009

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
MAY 12, 2009