



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 13, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**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

To the Board of Education:

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, Ohio (the District), as of and for the year ended June 30, 2010, 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, Ohio, as of June 30, 2010, 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 October 15, 2010, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 15, 2010

Hubbard Exempted Village School District

Trumbull County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 \$2,618,278, which represents a 5.6 percent increase from fiscal year 2009.
- General revenues accounted for \$18,961,470 in revenue or 81.4 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,342,204 or 18.6 percent of total governmental revenues of \$23,303,674.
- The School District had \$20,685,396 in expenses related to governmental activities; only \$4,342,204 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and intergovernmental) of \$18,961,470 were not adequate to provide for these programs.
- The general fund had \$17,372,822 in revenues and \$17,096,550 in expenditures. The general fund's fund balance increased to \$5,322,565 from \$5,089,641.
- The classroom facilities capital projects fund had \$18,074,927 in revenues and \$19,686,341 in expenditures, which resulted in a decrease of \$1,654,753 in fund balance.

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).

Hubbard Exempted Village School District

Trumbull County, Ohio

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Unaudited*

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 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 12-13 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 14-18 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 19 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 20-46 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 2010 compared to 2009.

Assets exceeded liabilities by \$49,267,917 at the close of the most recent fiscal year for the School District.

Hubbard Exempted Village School District
Trumbull County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

(Table 1)
Net Assets
Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$45,841,866	\$66,052,200	(\$20,210,334)
Capital Assets, Net	33,181,035	12,473,392	20,707,643
<i>Total Assets</i>	<u>79,022,901</u>	<u>78,525,592</u>	<u>497,309</u>
Liabilities			
Current Liabilities	10,378,215	11,942,801	(1,564,586)
Long-Term Liabilities			
Due within One Year	946,707	903,213	43,494
Due in More than One Year	18,430,082	19,029,939	(599,857)
<i>Total Liabilities</i>	<u>29,755,004</u>	<u>31,875,953</u>	<u>(2,120,949)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,611,502	12,194,570	3,416,932
Restricted for:			
Capital Projects	26,766,317	28,606,629	(1,840,312)
Debt Service	280,626	186,775	93,851
Set Asides	581,639	384,815	196,824
Other Purposes	1,172,422	681,892	490,530
Unrestricted	4,855,411	4,594,958	260,453
<i>Total Net Assets</i>	<u>\$49,267,917</u>	<u>\$46,649,639</u>	<u>\$2,618,278</u>

Current assets decreased \$20,210,334. This decrease, offset by an increase in capital assets of \$20,707,643, resulted in an overall increase in assets of \$497,309. The increase in capital assets was due to the School District continuing construction on new buildings which are being partially funded by the Ohio Schools Facilities Commission. Total assets increased mostly to the increase in capital assets as a result of ongoing construction on the new school buildings.

Total liabilities decreased \$2,120,949, mainly due to the outstanding contractual commitments related to the OSFC projects decreasing from the prior year.

9.9 percent of the School District's net assets reflect its unrestricted net assets. These net assets may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the School District's net assets (58.5 percent) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net assets of \$15,611,502 represents the investment in capital assets (e.g., land, construction in progress, 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
Trumbull County, Ohio

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Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009.

Table 2			
Change in Net Assets			
	2010	2009	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,496,936	\$1,464,200	\$32,736
Operating Grants and Contributions	2,817,767	1,511,585	1,306,182
Capital Grants and Contributions	27,501	120,660	(93,159)
<i>Total Program Revenues</i>	4,342,204	3,096,445	1,245,759
General Revenues			
Property Taxes	7,167,923	7,432,728	(264,805)
Intergovernmental	11,366,392	6,533,614	4,832,778
Investment Earnings	162,838	1,643,320	(1,480,482)
Miscellaneous	264,317	445,067	(180,750)
<i>Total General Revenues</i>	18,961,470	16,054,729	2,906,741
<i>Total Revenues</i>	23,303,674	19,151,174	4,152,500
Program Expenses			
Current:			
Instruction:			
Regular	8,574,065	8,901,784	(327,719)
Special	1,729,821	2,013,398	(283,577)
Vocational	323,276	354,205	(30,929)
Other	529,606	490,197	39,409
Support Services:			
Pupil	911,449	1,028,401	(116,952)
Instructional Staff	719,462	749,718	(30,256)
Board of Education	17,997	18,436	(439)
Administration	1,349,001	1,575,828	(226,827)
Fiscal	430,908	537,151	(106,243)
Business	16,915	44,367	(27,452)
Operation and Maintenance of Plant	1,920,270	2,086,877	(166,607)
Pupil Transportation	1,076,646	1,058,764	17,882
Central	314,638	291,755	22,883
Operation of Non-Instructional Services	397,897	435,801	(37,904)
Operation of Food Services	876,878	956,616	(79,738)
Extracurricular Activities	677,905	689,312	(11,407)
Interest and Fiscal Charges	818,662	860,446	(41,784)
<i>Total Program Expenses</i>	20,685,396	22,093,056	(1,407,660)
<i>Change in Net Assets</i>	2,618,278	(2,941,882)	5,560,160
<i>Net Assets Beginning of Year</i>	46,649,639	49,591,521	(2,941,882)
<i>Net Assets End of Year</i>	\$49,267,917	\$46,649,639	\$2,618,278

Hubbard Exempted Village School District

Trumbull County, Ohio

*Management's Discussion and Analysis
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During fiscal year 2010, the School District's net assets increased by \$2,618,278. Key elements of this increase are as follows:

- Total revenues increased by \$4,152,500, or 21.7 percent. Program expenses decreased by \$1,407,660, or 6.4 percent.
- The grants and entitlements increased significantly in fiscal year 2010 by \$4,832,778. The Ohio Schools Facilities grant revenue recognition was the reason for this increase.
- Interest revenue decreased during the current fiscal year. The decrease in interest revenue was the result of a lower rate of return on investments.
- Program revenues increased \$1,245,759 or 40.2 percent. Charges for services and sales and operating grants, interest and contributions increased, however capital grants decreased from the previous fiscal year.

There was a decrease in overall expenses of \$1,407,660 in comparison to the prior fiscal year that was the result of an overall decrease in expenses due to a conservative spending approach.

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 2010 compared to 2009.

**(Table 3)
Total and Net Cost of Program Services**

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$11,156,768	\$8,921,289	\$11,759,584	\$10,533,411
Support Services:				
Pupils and Instructional Staff	1,630,911	1,380,442	1,778,119	1,681,083
Board of Education, Administration, Fiscal and Business	1,814,821	1,640,468	2,175,782	2,051,230
Operation and Maintenance of Plant	1,920,270	1,789,162	2,086,877	1,904,164
Pupil Transportation	1,076,646	718,546	1,058,764	795,422
Central	314,638	291,318	291,755	269,602
Extracurricular Activities	677,905	487,241	689,312	506,784
Operation of Non- Instructional Services:				
Food Service Operations	876,878	3,799	956,616	96,845
Other Non-Instructional Services	397,897	292,265	435,801	297,624
Interest and Fiscal Charges	818,662	818,662	860,446	860,446
<i>Total Expenses</i>	<u>\$20,685,396</u>	<u>\$16,343,192</u>	<u>\$22,093,056</u>	<u>\$18,996,611</u>

Hubbard Exempted Village School District
Trumbull County, Ohio

Management's Discussion and Analysis
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The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 30.8 percent and grants and entitlements account for 48.8 percent of the total revenues in fiscal year 2010. 64.2 percent of instructional activities are supported through property taxes and all governmental activities general revenue support is 91.7 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 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding transfers, of \$39,774,218 and expenditures, excluding transfers, of \$41,950,525. The total governmental fund balance decreased \$2,176,307. The net change in the governmental fund balance for the year was most significant in the classroom facilities capital projects fund, where the fund balance decreased by \$1,654,753 for fiscal year 2010.

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

- The general fund revenues decreased by \$1,544,076 compared to the previous year. Most of this decrease could be traced to decreases in property tax and intergovernmental revenues. The general fund expenditures and other financing uses also decreased by \$1,839,559 compared to the prior fiscal year. The largest part of this decrease in expenditures is due to decreased instruction and administration expenditures which are directly attributable to the functioning of the School District. Overall, the net change in fund balance within the general fund was an increase of only \$232,924.
- The classroom facilities capital projects fund brought in \$18,074,927 of revenue during the current fiscal year and had \$19,686,341 in expenditures related to the construction of the aforementioned new school buildings. Overall the total fund balance decreased by \$1,654,753.

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 2010 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 \$17,637,495, which was \$737,605 lower than the original budget estimate of \$18,375,100. Of this difference, most can 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 \$4,222.

Hubbard Exempted Village School District

Trumbull County, Ohio

*Management's Discussion and Analysis
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The difference between the original budget appropriations and the final amended budget appropriations of the general fund was \$978,523. The change was mostly contributed to the increase in instruction estimates. Final amended budget appropriations were the same as actual expenditures.

Capital Assets and Long-term Liabilities

Capital Assets The School District's investment in capital assets for its governmental activities as of June 30, 2010, amounted to \$32,429,583 (net of accumulated depreciation). The increase in the School District's capital assets of \$19,956,191 can be attributed to the construction on new school buildings.

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

	<u>2010</u>	<u>2009</u>
Land	\$462,720	\$462,720
Construction in Progress	29,562,254	8,447,992
Land Improvements	736,798	810,926
Buildings and Improvements	1,871,264	2,058,784
Furniture and Fixtures	80,304	195,649
Vehicles	<u>467,695</u>	<u>497,321</u>
Total	<u>\$33,181,035</u>	<u>\$12,473,392</u>

While the School District acquired \$72,474 of capital assets comprised of vehicles, \$101,460 of vehicles were also disposed of. The School District also had construction in progress additions in the amount of \$21,114,262 related to the construction of new school buildings. Additional information on the School District's capital assets can be found in note 9 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 2010, this amounted to \$355,978 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.

Hubbard Exempted Village School District

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Long-term Liabilities At June 30, 2010, the School District had decreased its outstanding long-term obligations by \$556,363 resulting from another year of principal payments being made on all outstanding debt issues.

**(Table 5)
Outstanding Long-Term Obligations**

	Governmental Activities	
	2010	2009
Classroom Facilities Bonds	\$18,002,957	\$18,352,766
Library Improvement Bonds	175,000	340,000
Capital Leases	136,000	278,822
Compensated Absences	1,062,832	961,564
Totals	<u>\$19,376,789</u>	<u>\$19,933,152</u>

The School District issued \$18,598,533 in classroom facilities bonds on March 22, 2007. 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, 2010, the School District's overall legal debt margin was \$1,895,769 with an unvoted debt margin of \$212,734. 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, market conditions, and the community's support and input 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 2014. The forecast indicates a surplus through 2013 and a deficit in 2014.

The School District faces two emergency levy renewals; one in 2010 and one 2011, a total of 9.9 mills. The November 2, 2010 renewal is for 4.75 mills, which is equal to \$1,047,214 in tax revenue.

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 \$717,000 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

Trumbull County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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. For the third year in a row, the District has been designated as excellent by the Ohio Department of Education.

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

Trumbull County, Ohio

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$35,169,157
Accrued Interest Receivable	52,129
Accounts Receivable	62,573
Intergovernmental Receivable	2,085,903
Property Taxes Receivable	8,280,061
Inventory Held for Resale	4,564
Unamortized Bond Issuance Costs	187,499
Nondepreciable Capital Assets	30,024,974
Depreciable Capital Assets, Net	3,156,061
<i>Total Assets</i>	<u>79,022,921</u>
Liabilities	
Accounts Payable	92,101
Accrued Wages and Benefits Payable	1,252,991
Contracts Payable	1,442,940
Intergovernmental Payable	533,414
Matured Compensated Absences Payable	79,059
Deferred Revenue	6,897,544
Accrued Interest Payable	64,846
Vacation Benefits Payable	15,320
Long-Term Liabilities:	
Due Within One Year	946,707
Due In More Than One Year	18,430,082
<i>Total Liabilities</i>	<u>29,755,004</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,611,502
Restricted for:	
Capital Projects	26,766,317
Debt Service	280,626
Other Purposes	1,172,422
Set-asides	581,639
Unrestricted	4,855,411
<i>Total Net Assets</i>	<u>\$49,267,917</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Trumbull County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,574,065	\$427,640	\$1,290,168	\$0	(\$6,856,257)
Special	1,729,821	82,324	388,033	0	(1,259,464)
Vocational	323,276	17,925	0	0	(305,351)
Other	529,606	29,389	0	0	(500,217)
Support Services:					
Pupils	911,449	43,854	154,144	0	(713,451)
Instructional Staff	719,462	38,990	13,481	0	(666,991)
Board of Education	17,997	999	0	0	(16,998)
Administration	1,349,001	73,263	75,640	0	(1,200,098)
Fiscal	430,908	22,657	851	0	(407,400)
Business	16,915	943	0	0	(15,972)
Operation and Maintenance of Plant	1,920,270	103,607	0	27,501	(1,789,162)
Pupil Transportation	1,076,646	47,381	310,719	0	(718,546)
Central	314,638	16,461	6,859	0	(291,318)
Operation of Non-Instructional Services	397,897	16,685	88,947	0	(292,265)
Operation of Food Services	876,878	385,992	487,087	0	(3,799)
Extracurricular Activities	677,905	188,826	1,838	0	(487,241)
Interest and Fiscal Charges	818,662	0	0	0	(818,662)
<i>Total Governmental Activities</i>	<u>\$20,685,396</u>	<u>\$1,496,936</u>	<u>\$2,817,767</u>	<u>\$27,501</u>	<u>(16,343,192)</u>
General Revenues					
Property Taxes Levied for:					
					6,014,207
					1,061,797
					91,919
					11,366,392
					162,838
					264,317
					<u>18,961,470</u>
					2,618,278
					46,649,639
					<u>\$49,267,917</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Trumbull County, Ohio

Balance Sheet
Governmental Funds
June 30, 2010

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,078,643	\$27,285,203	\$1,223,672	\$34,587,518
Accrued Interest Receivable	39,031	13,098	0	52,129
Accounts Receivable	61,778	0	795	62,573
Interfund Receivable	215,993	0	0	215,993
Intergovernmental Receivable	0	1,400,810	685,093	2,085,903
Property Taxes Receivable	7,594,632	0	685,429	8,280,061
Inventory Held for Resale	0	0	4,564	4,564
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	581,639	0	0	581,639
<i>Total Assets</i>	<u>\$14,571,716</u>	<u>\$28,699,111</u>	<u>\$2,599,553</u>	<u>\$45,870,380</u>
Liabilities				
Accounts Payable	\$78,540	\$0	\$13,561	\$92,101
Accrued Wages and Benefits Payable	1,113,389	0	139,602	1,252,991
Contracts Payable	0	1,418,077	24,863	1,442,940
Intergovernmental Payable	482,674	0	50,740	533,414
Matured Compensated Absences Payable	79,059	0	0	79,059
Interfund Payable	0	0	215,993	215,993
Deferred Revenue	7,495,489	1,400,810	1,361,666	10,257,965
<i>Total Liabilities</i>	<u>9,249,151</u>	<u>2,818,887</u>	<u>1,806,425</u>	<u>13,874,463</u>
Fund Balances				
Reserved for Encumbrances	13,208	15,293,961	547,480	15,854,649
Reserved for Textbooks	514,744	0	0	514,744
Reserved for Budget Stabilization	66,895	0	0	66,895
Reserved for Property Taxes	99,143	0	8,856	107,999
Reserved for Unclaimed Monies	32,803	0	0	32,803
Unreserved:				
Undesignated, Reported in:				
General Fund	4,595,772	0	0	4,595,772
Special Revenue Funds	0	0	546,415	546,415
Debt Service Funds	0	0	423,696	423,696
Capital Projects Funds (Deficit)	0	10,586,263	(733,319)	9,852,944
<i>Total Fund Balances</i>	<u>5,322,565</u>	<u>25,880,224</u>	<u>793,128</u>	<u>31,995,917</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,571,716</u>	<u>\$28,699,111</u>	<u>\$2,599,553</u>	<u>\$45,870,380</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Trumbull County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2010*

Total Governmental Fund Balances		\$31,995,917
<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.		33,181,035
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Property Taxes	1,274,518	
Grants	685,093	
School Facilities Money	<u>1,400,810</u>	
Total		3,360,421
In the statement of net assets, 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.		187,499
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(64,846)
Vacation benefits payable are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(15,320)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Classroom Facilities Bonds	(17,506,554)	
Bond Premium	(496,403)	
Library Improvement Bonds	(175,000)	
Capital Leases Payable	(136,000)	
Compensated Absences	<u>(1,062,832)</u>	
Total		<u>(19,376,789)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$49,267,917</u></u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Trumbull County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$5,709,939	\$0	\$1,217,615	\$6,927,554
Tuition and Fees	880,280	0	24,758	905,038
Interest	109,868	42,550	10,420	162,838
Charges for Services	0	0	385,992	385,992
Extracurricular Activities	0	0	167,591	167,591
Rentals	35,945	0	2,370	38,315
Contributions and Donations	1,155	0	33,898	35,053
Intergovernmental	10,388,451	18,031,377	2,467,692	30,887,520
Miscellaneous	247,184	1,000	16,133	264,317
<i>Total Revenues</i>	<u>17,372,822</u>	<u>18,074,927</u>	<u>4,326,469</u>	<u>39,774,218</u>
Expenditures				
Current:				
Instruction:				
Regular	7,476,727	0	1,145,270	8,621,997
Special	1,534,422	0	253,199	1,787,621
Vocational	328,084	0	0	328,084
Other	549,773	0	0	549,773
Support Services:				
Pupils	824,851	0	123,820	948,671
Instructional Staff	724,498	0	9,005	733,503
Board of Education	18,682	0	0	18,682
Administration	1,315,982	0	80,057	1,396,039
Fiscal	425,458	0	23,536	448,994
Business	19,647	0	0	19,647
Operation and Maintenance of Plant	1,935,837	0	0	1,935,837
Pupil Transportation	882,301	0	199,882	1,082,183
Central	308,531	0	21,545	330,076
Operation of Non-Instructional Services	313,304	0	91,477	404,781
Operation of Food Services	0	0	910,587	910,587
Extracurricular Activities	426,589	0	160,742	587,331
Capital Outlay	1,950	19,686,341	688,528	20,376,819
Debt Service:				
Principal Retirement	9,822	0	653,000	662,822
Interest and Fiscal Charges	92	0	806,986	807,078
<i>Total Expenditures</i>	<u>17,096,550</u>	<u>19,686,341</u>	<u>5,167,634</u>	<u>41,950,525</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>276,272</u>	<u>(1,611,414)</u>	<u>(841,165)</u>	<u>(2,176,307)</u>
Other Financing Sources (Uses)				
Transfers In	100,000	0	186,687	286,687
Transfers Out	(143,348)	(43,339)	(100,000)	(286,687)
<i>Total Other Financing Sources (Uses)</i>	<u>(43,348)</u>	<u>(43,339)</u>	<u>86,687</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	232,924	(1,654,753)	(754,478)	(2,176,307)
<i>Fund Balances Beginning of Year</i>	5,089,641	27,534,977	1,547,606	34,172,224
<i>Fund Balances End of Year</i>	<u>\$5,322,565</u>	<u>\$25,880,224</u>	<u>\$793,128</u>	<u>\$31,995,917</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Trumbull County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$2,176,307)

***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 outlay exceeded depreciation in the current period.

Capital Outlay	21,191,736	
Current Year Depreciation	<u>(484,093)</u>	
 Total		 20,707,643

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

Property Taxes	240,369	
Grants	559,621	
School Facilities Money	<u>(17,275,943)</u>	
 Total		 (16,475,953)

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

662,822

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. The additional interest reported on the statement of activities is due to the following:

Accrued Interest on Bonds	1,183	
Accreted Interest on Bonds	(25,248)	
Amortization of Bond Premium	20,057	
Amortization of Bond Issuance Costs	<u>(7,576)</u>	
 Total		 (11,584)

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	(101,268)	
Vacation Benefits Payable	<u>12,925</u>	
 Total		 <u>(88,343)</u>

Change in Net Assets of Governmental Activities \$2,618,278

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Trumbull County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,707,866	\$5,475,203	\$5,631,305	\$156,102
Tuition and Fees	1,080,451	1,036,410	880,309	(156,101)
Interest	109,458	104,996	108,698	3,702
Rentals	43,600	41,823	41,823	0
Contributions and Donations	1,204	1,155	1,155	0
Intergovernmental	10,829,896	10,388,450	10,388,451	1
Miscellaneous	443,824	430,657	431,175	518
<i>Total Revenues</i>	<u>18,216,299</u>	<u>17,478,694</u>	<u>17,482,916</u>	<u>4,222</u>
Expenditures				
Current:				
Instruction:				
Regular	7,489,949	7,924,635	7,924,635	0
Special	1,530,407	1,587,780	1,587,780	0
Vocational	293,702	342,172	342,172	0
Other	519,617	549,773	549,773	0
Support Services:				
Pupils	828,321	876,394	876,394	0
Instructional Staff	722,427	764,354	764,354	0
Board of Education	21,638	22,894	22,894	0
Administration	1,360,170	1,439,108	1,439,108	0
Fiscal	409,487	433,252	433,252	0
Business	29,708	31,431	31,431	0
Operation and Maintenance of Plant	1,832,770	1,939,138	1,939,138	0
Pupil Transportation	822,255	869,997	869,997	0
Central	289,381	306,175	306,175	0
Operation of Non-Instructional Services	301,900	319,421	319,421	0
Extracurricular Activities	407,042	430,665	430,665	0
Capital Outlay	1,842	1,950	1,950	0
<i>Total Expenditures</i>	<u>16,860,616</u>	<u>17,839,139</u>	<u>17,839,139</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,355,683</u>	<u>(360,445)</u>	<u>(356,223)</u>	<u>4,222</u>
Other Financing Sources (Uses)				
Advances In	23,584	23,584	23,584	0
Advances Out	(993)	(993)	(993)	0
Transfers In	135,217	135,217	100,000	(35,217)
Transfers Out	(178,565)	(178,565)	(143,348)	35,217
<i>Total Other Financing Sources (Uses)</i>	<u>(20,757)</u>	<u>(20,757)</u>	<u>(20,757)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,334,926	(381,202)	(376,980)	4,222
<i>Fund Balance Beginning of Year</i>	7,018,180	7,018,180	7,018,180	0
<i>Prior Year Encumbrances Appropriated</i>	5,874	5,874	5,874	0
<i>Fund Balance End of Year</i>	<u>\$8,358,980</u>	<u>\$6,642,852</u>	<u>\$6,647,074</u>	<u>\$4,222</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Trumbull County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$98,774</u>
Liabilities	
Due to Students	<u>\$98,774</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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 92 classified employees, 137 certified employees and 14 administrators who provide services to 2,190 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
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

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.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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, 2010, but which were levied to finance fiscal year 2011 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 2010, investments were limited to repurchase agreements, STAR Ohio and federal home loan bank notes.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010 amounted to \$109,868, of which \$78,173 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. Inventory

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

G. 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.

H. 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

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 45 years
Buildings and Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

J. 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.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, 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.

Hubbard Exempted Village School District

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

L. 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.

M. 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, textbooks, budget stabilization, property taxes and unclaimed monies.

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.

N. 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 \$28,801,004, 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.

O. 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.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

P. 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.

Q. 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. Neither type of transaction occurred during fiscal year 2010.

R. 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.

S. 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

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 3 – Change in Accounting Principles

For fiscal year 2010, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of GASB Statement No. 53 did not result in any changes to the District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of GASB Statement No. 57 did not result in any changes to the District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of GASB Statement No. 58 did not result in any changes to the District’s financial statements.

Note 4 – Fund Deficits

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Permanent Improvement Fund	\$180,950
Building Fund	24,863
IDEA Part B Fund	30,137
Fiscal Stabilization Fund	35,291
Title I Fund	13,777
Improving Teacher Quality Fund	4,965

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

Hubbard Exempted Village School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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	\$232,924
Net Adjustment for Revenue Accruals	304,304
Advances In	23,584
Beginning Fair Value Adjustment	(194,210)
Net Adjustment for Expenditure Accruals	(729,381)
Advance Out	(993)
Adjustment for Encumbrances	<u>(13,208)</u>
Budget Basis	<u><u>(\$376,980)</u></u>

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.

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For the Fiscal Year Ended June 30, 2010*

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.

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, \$3,318,017 of the School District's bank balance of \$27,468,017 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.

Hubbard Exempted Village School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2010, the School District had the following investments and maturities:

	Fair Value	Maturity
Repurchase Agreements	\$4,797,789	Less than One Year
STAROhio	19,139	Less than One Year
Federal Home Loan Bank Bonds	2,045,243	One to Three Years
Total Portfolio	\$6,862,171	

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 and Aaa by Moody's. STAROhio was rated AAAM. The School District has no investment policy that addresses credit risk.

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, 2010:

Investment	Percent of Total
Repurchase Agreements	69.92%
Federal Home Loan Bank	29.80%
STAR Ohio	0.28%
Total	100.00%

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Assets as of June 30, 2010:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Assets</u>	
Carrying amount of deposits	\$28,405,760	Governmental Activities	\$35,169,157
Investments	6,862,171	Agency Funds	98,774
Total	\$35,267,931		\$35,267,931

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District 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 located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 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 year 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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.

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Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The amount available as an advance at June 30, 2010 was \$99,143 in the general fund, \$7,560 in the bond retirement fund and \$1,296 in the classroom facilities fund. The amount available as an advance at June 30, 2009 was \$20,509 in the general fund, \$3,687 in the bond retirement fund and \$302 in the classroom facilities 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 2010 taxes were collected are:

	2009 Second		2010 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$207,775,080	97.56 %	\$208,040,750	97.69 %
Public Utility Personal	4,752,570	2.23	4,693,330	2.20
Tangible Personal Property	447,733	0.21	221,355	0.10
Total	\$212,975,383	100.00 %	\$212,955,435	100.00 %
Tax rate per \$1,000 of assessed valuation	\$58.85		\$58.85	

Note 8 - Receivables

Receivables at June 30, 2010, 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 grants, are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Non-Major Governmental Funds:	
Ohio School Facilities Grant	\$1,400,810
IDEA Part B Grant	363,802
Title II-D Grant	6,182
Title I Grant	292,957
Class Sized Reduction Grant	22,152
Total	\$2,085,903

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows

	Balance 6/30/09	Additions	Reductions	Balance 6/30/10
Governmental Activities:				
Capital assets not being depreciated				
Land	\$462,720	\$0	\$0	\$462,720
Construction in progress	8,447,992	21,114,262	0	29,562,254
Total capital assets not being depreciated	8,910,712	21,114,262	0	30,024,974
Capital assets being depreciated				
Land improvements	1,764,980	0	0	1,764,980
Buildings and improvements	10,173,698	0	0	10,173,698
Furniture, fixtures and equipment	1,017,403	5,000	0	1,022,403
Vehicles	1,582,825	72,474	(101,460)	1,553,839
Total capital assets being depreciated	14,538,906	77,474	(101,460)	14,514,920
Accumulated depreciation				
Land improvements	(954,054)	(74,128)	0	(1,028,182)
Buildings and improvements	(8,114,914)	(187,520)	0	(8,302,434)
Furniture, fixtures and equipment	(821,754)	(120,345)	0	(942,099)
Vehicles	(1,085,504)	(102,100)	101,460	(1,086,144)
Total accumulated depreciation	(10,976,226)	(484,093) *	101,460	(11,358,859)
Capital assets being depreciated, net	3,562,680	(406,619)	0	3,156,061
Governmental activities capital assets, net	\$12,473,392	\$20,707,643	\$0	\$33,181,035

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$191,875
Support Services:	
Pupil	2,071
Instructional Staff	7,999
Administration	1,510
Operation and Maintenance of Plant	53,157
Pupil Transportation	102,608
Central	2,279
Operation of Non-Instructional Services	9,537
Operation of Food Services	939
Extracurricular	112,118
Total Depreciation Expense	\$484,093

Hubbard Exempted Village School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 10 - Interfund Transfers and Balances

A. Interfund Transfers

The general fund transferred \$140,836 to the permanent improvement capital projects funds to finance capital outlay purchases and to help fund lease payments. The general fund also transferred \$2,512 to the poverty based assistance special revenue fund.

The permanent improvement capital projects fund transferred \$100,000 to the general fund and the classroom facilities fund transferred \$43,339 to the building capital projects fund.

B. Interfund Balances

Interfund balances at June 30, 2010, 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 an interfund receivable/payable between the general fund and the Title I special revenue fund in the amount of \$993. This loan was made pending the receipt of grant money that will be used to repay the loan. This loan is expected to be repaid in one year.

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. These 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, 2010 follow:

<i>Asset:</i>	<u>Governmental Activities</u>
Equipment	\$248,864
Land Improvements	223,847
Building Improvements	<u>692,940</u>
Historical Cost	1,165,651
Less: Accumulated Depreciation	<u>(658,493)</u>
Total Book Value as of June 30, 2010	<u><u>\$507,158</u></u>

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, 2010.

<u>Fiscal Year Ending June 30,</u>	
2011	\$138,622
Less: Amount Representing Interest	<u>(2,622)</u>
Present Value of Minimum Lease	<u><u>\$136,000</u></u>

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.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts due in One Year
General Obligation Bonds:					
<i>2007 Classroom Facilities Improvement Bonds</i>					
Current Interest Serial Bonds - 3.6% - 4.0%	\$4,200,000	\$0	\$355,000	\$3,845,000	\$370,000
Capital Appreciation Bonds - 4.1%	203,533	0	0	203,533	0
Accretion on Capital Appreciation Bonds	47,773	25,248	0	73,021	0
Current Interest Term Bonds - 4.25% - 5.0%	13,385,000	0	0	13,385,000	0
Premium on Bonds	516,460	0	20,057	496,403	0
Total Classroom Facilities Improvement Bonds	18,352,766	25,248	375,057	18,002,957	370,000
Library Improvement Bonds - 2.4%	340,000	0	165,000	175,000	175,000
Total General Obligation Bonds	18,692,766	25,248	540,057	18,177,957	545,000
Other Long-Term Obligations:					
Capital Lease Obligations	278,822	0	142,822	136,000	136,000
Compensated Absences	961,564	341,659	240,391	1,062,832	265,707
Total Other Long-Term Obligations	1,240,386	341,659	383,213	1,198,832	401,707
Total Governmental Activities Long-Term Obligations	\$19,933,152	\$366,907	\$923,270	\$19,376,789	\$946,707

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 2010 was \$25,248, for a total outstanding bond liability of \$276,554 at June 30, 2010.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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:

Fiscal 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	\$570,000	\$670,000	\$2,145,000	\$1,835,000	\$3,650,000
<i>Stated Maturity</i>	12/1/2021	12/1/2023	12/1/2027	12/1/2030	12/1/2034

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.

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.

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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The overall debt margin of the School District as of June 30, 2010 was \$1,895,769 with an unvoted debt margin of \$212,734. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds - Classroom Facilities Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
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	415,000	724,925	0	0	0	0
2015	440,000	707,825	0	0	0	0
2016 - 2020	1,830,000	2,654,700	203,533	991,891	0	0
2021 - 2025	0	0	0	0	3,170,000	2,744,931
2026 - 2030	0	0	0	0	4,190,000	1,935,751
2031 - 2035	0	0	0	0	6,025,000	796,681
Total	\$3,845,000	\$6,357,385	\$203,533	\$991,891	\$13,385,000	\$5,477,363

Fiscal Year Ending June 30,	General Obligation Bonds	
	Library Improvement	
	Principal	Interest
2011	\$175,000	\$9,450

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 2010, the School District contracted with Ohio Casualty Insurance for various types of insurance. Coverage is as follows:

Type of Coverage	Coverage
Coverage provided by Ohio Casualty Insurance:	
Blanket Building and Contents (\$1,000 deductible)	\$60,390,453
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.

Hubbard Exempted Village School District

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

B. Worker's Compensation

For fiscal year 2010, 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 \$40,682 to NEOMIN during fiscal year 2010.

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, and the fiscal agent of 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.

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 media 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 \$1,095 to NEOIMC during fiscal year 2010.

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.

Hubbard Exempted Village School District

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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.

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 or by calling toll free (800) 878-5853. It is also posted on SERS’ website, www.ohsers.org, under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District’s contributions to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$331,641, \$233,796, and \$246,175, respectively; 50.5 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,141,567, \$1,142,080, and \$1,106,125, respectively; 83.2 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2009 (the latest information available), were \$3,878 made by the School District and \$27,953 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* were available after December 4, 2009.

Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Hubbard Exempted Village School District
Trumbull County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 18 – Postemployment Benefits

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$19,722, \$19,290 and \$17,738, respectively, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administers in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2010, 2009 and 2008 were \$58,237, \$160,826 and \$112,338, respectively; 50.5 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Hubbard Exempted Village School District
Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

B. State Teachers Retirement System

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio’s financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contribution for health care for the fiscal year ended June 30, 2010, 2009 and 2008 were \$87,813, \$85,087 and \$84,139 respectively; 83.2 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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-third of the total sick leave accumulation, up to a maximum of 80 days for classified employees and 100 days for certified employees.

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.

Premiums by Plan Type	Single	Employee & Spouse	Employee & Child(ren)	Family
Medical Plan	\$462.57	\$971.40	\$878.88	\$1,387.71
Dental Plan	31.21	53.23	66.80	97.67
Vision Plan	7.26	14.20	14.88	21.47

Hubbard Exempted Village School District

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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 are 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, 2010.

B. Litigation

During fiscal year 2010, the School District was party to one legal proceeding as defendant. A former employee, James Pagley, was seeking restitution for past due compensatory time payment for his time of employment prior to being a supervisor of transportation for the School District. Mr Pagley settled for a payment of \$9,000, \$3,000 of which was paid directly to his attorney.

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, 2010, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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	Capital Improvements	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2009	\$317,920	\$0	\$66,895
Current Year Set-Aside Requirement	355,978	355,978	0
Qualifying Disbursements	(159,154)	0	0
Current Year Offsets	0	(17,433,533)	0
Total	<u>\$514,744</u>	<u>(\$17,077,555)</u>	<u>\$66,895</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$514,744</u>	<u>\$0</u>	<u>\$0</u>
Cash balance as of June 30, 2010	<u>\$514,744</u>	<u>\$0</u>	<u>\$66,895</u>

Hubbard Exempted Village School District

Trumbull County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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 not 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 \$581,639.

Note 22 – New Accounting Standards

In February of 2009, the GASB issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. Statement No. 54 will not be effective for the School District until fiscal year 2011.

In June of 2009, the GASB issued Statement No. 59, “Financial Instruments Omnibus”. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Statement No. 59 is not effective for the District until fiscal year 2011.

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 47,196	\$ 3,690	\$ 47,196	\$ 3,690
National School Lunch Program	10.555	333,030	88,550	333,030	88,550
Total Nutrition Cluster		<u>380,226</u>	<u>92,240</u>	<u>380,226</u>	<u>92,240</u>
Total U. S. Department of Agriculture		<u>380,226</u>	<u>92,240</u>	<u>380,226</u>	<u>92,240</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Title 1, Part A, Cluster:					
Title I, Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	394,908		389,846	
ARRA - Title I, Grants to Local Educational Agencies	84.389	<u>52,583</u>		<u>52,583</u>	
Total Title I, Part A, Cluster		447,491		442,429	
Special Education Cluster:					
Special Education Grants to States (IDEA, Part B)	84.027	394,998		440,853	
ARRA - Special Education Grants to States (IDEA, Part B)	84.391	<u>127,034</u>		<u>125,887</u>	
Total Special Education Cluster		522,032		566,740	
Safe and Drug Free Schools and Communities - State Grants	84.186	6,689		6,689	
Foreign Language Assistance	84.293	20,668		20,668	
State Grants for Innovative Programs	84.298	-		431	
Education Technology State Grants	84.318	384		-	
Improving Teacher Quality State Grants	84.367	100,148		95,135	
ARRA - State Fiscal Stabilization Fund	84.394	<u>581,732</u>		<u>581,732</u>	
Total U. S. Department of Education		<u>1,679,144</u>		<u>1,713,824</u>	
Totals		<u>\$2,059,370</u>	<u>\$92,240</u>	<u>\$2,094,050</u>	<u>\$92,240</u>

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Hubbard Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

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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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 management, the Board of Education, federal awarding agencies and pass-through entities and others within the District. 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

October 15, 2010



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 REQUIRED BY 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 could directly and materially affect each of Hubbard Exempted Village School District's major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

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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 to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 15, 2010

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

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 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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster (84.010/.389) Special Education Cluster (84.027/.391) State Fiscal Stabilization Fund (84.394)
<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

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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
JANUARY 13, 2011**