



Dave Yost • Auditor of State



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Hubbard Exempted Village School District  
Trumbull County  
108 Orchard Avenue  
Hubbard, Ohio 44425

To the Board of Education:

### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 2, 2015

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## Hubbard Exempted Village School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

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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, 2014. 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

- Net position of governmental activities decreased from fiscal year 2013 to fiscal year 2014. This decrease is a result of the School District completing the construction of the new School District athletic facilities in addition to the issuance of the athletic facilities lease purchase obligation.
- Capital assets increased due to the School District capitalizing the completed portions of the new athletic facilities which was offset by an additional year of depreciation. The track and softball complex and improvements to the stadium were capitalized in fiscal year 2014. The improvements to the stadium included a new turf, band shelter and fencing. Improvements to the track and baseball fields were still under construction at fiscal year end.
- The School District's enrollment increased from fiscal year 2013 to fiscal year 2014. As a result of this increase, there was an increase in school foundation revenues from the State of Ohio.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- On October 8, 2013, the School District issued \$1,520,000 in athletic facilities lease purchase obligations to finance improvements to the athletic facilities.

### 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 position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*Unaudited*

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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.

***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 bond retirement 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Fiduciary Fund*** A 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. These funds use the accrual basis of accounting.

***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 following the statements.

### **Government-wide Financial Analysis**

As noted earlier, net position 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 Position for 2014 compared to 2013.

## Hubbard Exempted Village School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

(Table 1)  
Net Position  
Governmental Activities

	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$13,169,777	\$15,480,661	(\$2,310,884)
Capital Assets, Net	53,966,036	53,033,792	932,244
<i>Total Assets</i>	<u>67,135,813</u>	<u>68,514,453</u>	<u>(1,378,640)</u>
<b>Deferred Outflows of Resources</b>	<u>1,244,294</u>	<u>1,304,502</u>	<u>(60,208)</u>
<b>Liabilities</b>			
Current Liabilities	2,631,920	2,450,725	(181,195)
Long-Term Liabilities			
Due within One Year	957,686	853,329	(104,357)
Due in More than One Year	19,221,132	18,327,671	(893,461)
<i>Total Liabilities</i>	<u>22,810,738</u>	<u>21,631,725</u>	<u>(1,179,013)</u>
<b>Deferred Inflows of Resources</b>	<u>6,941,993</u>	<u>6,902,443</u>	<u>(39,550)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	36,294,665	36,469,586	(174,921)
Restricted for:			
Capital Projects	199,225	2,073,953	(1,874,728)
Debt Service	391,741	445,654	(53,913)
Unclaimed Monies	30,348	29,892	456
Other Purposes	930,366	790,264	140,102
Unrestricted	781,031	1,475,438	(694,407)
<i>Total Net Position</i>	<u>\$38,627,376</u>	<u>\$41,284,787</u>	<u>(\$2,657,411)</u>

Current assets decreased due to a decrease in cash and cash equivalents and intergovernmental receivable. The decrease in available cash at fiscal year end can be attributed to the construction of the new school athletic facilities. The decrease in intergovernmental receivable is due to the School District having a smaller grant carryover when compared to the prior fiscal year. Capital assets increased due to the capitalization of the new athletic facilities.

Total liabilities increased during fiscal year 2014 due to the issuance of the athletic facilities lease purchase obligation and an increase in compensated absences during the year. Compensated absences increased due to employees carrying a higher balance of sick leave into the new fiscal year when compared to the prior fiscal year. This increase was offset by the payment of current debt payments on the Classroom Facilities Bonds.

Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the School District's net position represents resources that are subject to external restrictions on how they may be used.

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

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

**Hubbard Exempted Village School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

**(Table 2)**  
**Change in Net Position**  
**Governmental Activities**

	2014	2013	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,776,600	\$1,734,217	\$42,383
Operating Grants, Interest and Contributions	2,105,029	2,621,495	(516,466)
Capital Grants, Interest and Contributions	39,203	429	38,774
<i>Total Program Revenues</i>	<u>3,920,832</u>	<u>4,356,141</u>	<u>(435,309)</u>
<b>General Revenues</b>			
Property Taxes	6,721,701	6,831,167	(109,466)
Grants and Entitlements not Restricted	9,408,098	9,319,077	89,021
Investment Earnings	25,175	22,603	2,572
Miscellaneous	556,681	457,616	99,065
<i>Total General Revenues</i>	<u>16,711,655</u>	<u>16,630,463</u>	<u>81,192</u>
<i>Total Revenues</i>	<u>20,632,487</u>	<u>20,986,604</u>	<u>(354,117)</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	11,114,249	14,156,252	3,042,003
Special	2,381,622	1,636,816	(744,806)
Vocational	146,524	191,739	45,215
Student Intervention Services	610,753	658,000	47,247
Support Services:			
Pupils	912,471	1,053,231	140,760
Instructional Staff	221,642	1,206,461	984,819
Board of Education	22,482	13,123	(9,359)
Administration	1,190,769	1,443,418	252,649
Fiscal	673,123	529,841	(143,282)
Business	20,594	12,610	(7,984)
Operation and Maintenance of Plant	1,864,883	2,444,731	579,848
Pupil Transportation	1,100,594	1,341,688	241,094
Central	340,345	297,990	(42,355)
Extracurricular Activities	813,468	1,273,491	460,023
Operation of Non-Instructional Services:			
Food Service Operations	802,666	898,471	95,805
Other Non-Instructional Services	404,540	435,820	31,280
Interest and Fiscal Charges	669,173	845,590	176,417
<i>Total Program Expenses</i>	<u>23,289,898</u>	<u>28,439,272</u>	<u>5,149,374</u>
<i>Change in Net Position</i>	<u>(2,657,411)</u>	<u>(7,452,668)</u>	<u>4,795,257</u>
<i>Net Position Beginning of Year</i>	<u>41,284,787</u>	<u>48,737,455</u>	<u>(7,452,668)</u>
<i>Net Position End of Year</i>	<u>\$38,627,376</u>	<u>\$41,284,787</u>	<u>(\$2,657,411)</u>

**Hubbard Exempted Village School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The decrease in operating grants can be attributed to the School District receiving a reduction in Title I grant monies compared to fiscal year 2013.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. The decrease in regular instructional expenses was due to purchasing new equipment and furnishings for the new school facilities in the prior year. These items were all under the established capitalization threshold. The decrease in support expenses was also due to the purchase of new equipment and furnishings that are under the capitalization threshold in fiscal year 2013.

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 2014 compared to 2013.

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

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$14,253,148	\$11,622,619	\$16,642,807	\$14,735,627
Support Services:				
Pupils and Instructional Staff	1,134,113	1,085,353	2,259,692	2,166,579
Board of Education, Administration, Fiscal and Business	1,906,968	1,820,564	1,998,992	1,943,794
Operation and Maintenance of Plant	1,864,883	1,799,598	2,444,731	2,374,931
Pupil Transportation	1,100,594	1,100,594	1,341,688	1,341,688
Central	340,345	334,945	297,990	292,590
Extracurricular Activities	813,468	569,188	1,273,491	1,133,489
Operation of Non- Instructional Services:				
Food Service Operations	802,666	48,029	898,471	89,518
Other Non-Instructional Services	404,540	319,003	435,820	333,673
Interest and Fiscal Charges	669,173	669,173	845,590	845,590
<i>Total Expenses</i>	<u>\$23,289,898</u>	<u>\$19,369,066</u>	<u>\$28,439,272</u>	<u>\$25,257,479</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2014. This amount is less than 2013 due to a decrease in expenses. The community, as a whole, is by far the primary support for the Hubbard Exempted Village School District.

**Financial Analysis of the Government's Funds**

**Governmental Fund** Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance from the prior fiscal year. This is primarily due to an increase in expenditures compared to the prior fiscal year. The expenditure increases can be attributed to health insurance premium

**Hubbard Exempted Village School District**

*Management's Discussion and Analysis  
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Unaudited*

increases for the 2013-2014 plan year. The School District entered an athletic facilities lease purchase obligation during the current fiscal year and proceeds were placed into the general fund. The lease purchase obligation proceeds were used during the current year to pay for the upgrade to the athletic facilities. The bond retirement fund balance decreased from the prior fiscal year due to an increase in debt payments for the classroom facilities bonds. Other governmental funds had a decrease in fund balance due to a decrease in grant monies as well as using a portion of the capital project fund balance to pay for a portion of the athletic facilities project.

**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 2014 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 higher than the original budget estimate. The difference can be attributed to the increase in property taxes and intergovernmental revenues. These amounts increased due to an increase in collections and a higher than expected enrollment number. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue was higher than final budget basis revenue due to intergovernmental, interest and miscellaneous revenue coming in higher than expected. The difference between the original budget appropriations and the final amended budget appropriations of the general fund increased due to increases in instruction estimates as well as capital outlay. The School District's actual expenditures were under final budgeted appropriations.

**Capital Assets and Long-term Liabilities**

**Capital Assets** Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

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

	<u>2014</u>	<u>2013</u>
Land	\$462,720	\$462,720
Construction in Progress	440,741	0
Land Improvements	4,589,904	2,201,642
Buildings and Improvements	47,444,030	49,101,317
Furniture and Fixtures	758,003	924,440
Vehicles	<u>270,638</u>	<u>343,673</u>
Total	<u>\$53,966,036</u>	<u>\$53,033,792</u>

**Hubbard Exempted Village School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

The increase in capital assets can be attributed to current year additions which were offset by one deletion and an additional year of depreciation made during fiscal year 2014. The School District replaced a van disposed of during fiscal year 2014 and started upgrades to the athletic facilities. The School District completed two portions of the athletic facilities by year end which increased land improvements. The track and softball complex as well as the stadium complex improvements were capitalized. Some improvements made at the stadium included new turf, a band shelter and fencing. Additional information on the School District's capital assets can be found in note 10 of the basic financial statements.

**Long-term Liabilities** At June 30, 2014, the School District had increased its outstanding long-term obligation. This increase is primarily the result of the School District entering into an athletic facilities lease purchase obligation which was offset by another year of principal payments on all debt issues.

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

	Governmental Activities	
	2014	2013
Classroom Facilities Bonds	\$17,668,121	\$18,267,743
Athletic Facilities Lease Purchase	1,520,000	0
Compensated Absences	990,697	913,257
Totals	<u>\$20,178,818</u>	<u>\$19,181,000</u>

The School District issued \$18,598,533 in classroom facilities bonds on March 22, 2007, in conjunction with the Ohio School's Facilities Commission (OSFC), to build three new school buildings on a centralized campus. The OSFC has committed 68 cents on each dollar the School District spends on new facilities. Community support will generate the remaining 32 cents. During fiscal year 2013, a portion of the serial and term bonds were retired by the School District through an advanced refunding. Annual payments are made for twenty-four years until maturity at December 1, 2030.

On March 14, 2013, the School District issued \$8,134,991 in general obligation bonds to refund a portion of the 2007 general obligation classroom facilities improvement bonds. Annual payments are made for a twenty-two year period until maturity at December 1, 2034. The bonds are backed by the full faith and credit of the School District.

On October 8, 2013, the School District issued \$1,520,000 for a lease purchase obligation, for use in acquiring, constructing and installing improvements to athletic facilities and equipment. The obligation was issued through a series of annual leases with an initial lease term of one year which includes the right to renew for ten successive one year term through June 30, 2024.

As of June 30, 2014, the School District's overall legal debt margin was \$3,066,322 with an unvoted debt margin of \$202,829. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 11 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

## **Hubbard Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*Unaudited*

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proactive in our efforts to provide children with a quality education in an environment that is conducive to learning. Current events, the economy and market conditions, 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 2019. The forecast indicates a positive balance through 2016 and a deficit balance beginning in 2017 and continuing through 2019.

The School District passed two emergency levy renewals, one in 2010 and one in 2011. The November 2, 2010 renewal was for 4.75 mills, which is equal to \$1,047,214 in tax revenue. The May 3, 2011 renewal was for 5.45 mills, which is equal to \$1,218,709 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 \$900,000 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.

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 facilities for the true asset of the School District, its students. With this in mind, it remains imperative that the Board of Education and management team continue to carefully plan in order to provide the resources required in meeting the students, parents and communities desired needs over the next several years.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rhonda Baldwin-Armorganos, Treasurer at Hubbard Exempted Village School District, 108 Orchard Avenue, Hubbard, Ohio 44425.

# Hubbard Exempted Village School District

## Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,508,403
Cash and Cash Equivalents With Fiscal Agents	114,313
Accrued Interest Receivable	3,043
Accounts Receivable	6,049
Intergovernmental Receivable	170,041
Inventory Held for Resale	9,051
Taxes Receivable	8,358,877
Nondepreciable Capital Assets	903,461
Depreciable Capital Assets, Net	<u>53,062,575</u>
<i>Total Assets</i>	<u>67,135,813</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>1,244,294</u>
<b>Liabilities</b>	
Accounts Payable	103,551
Accrued Wages	1,791,471
Contracts Payable	111,268
Retainage Payable	114,313
Intergovernmental Payable	404,478
Accrued Interest Payable	49,092
Vacation Benefits Payable	57,747
Long-Term Liabilities:	
Due Within One Year	957,686
Due in More Than One Year	<u>19,221,132</u>
<i>Total Liabilities</i>	<u>22,810,738</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>6,941,993</u>
<b>Net Position</b>	
Net Investment in Capital Assets	36,294,665
Restricted for:	
Capital Projects	199,225
Debt Service	391,741
Unclaimed Monies	30,348
Other Purposes	930,366
Unrestricted	<u>781,031</u>
<i>Total Net Position</i>	<u><u>\$38,627,376</u></u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2014*

	Program Revenues				Net
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Revenue/(Expense) and Changes in Net Position
<b>Governmental Activities</b>					
Instruction:					
Regular	\$11,114,249	\$1,164,652	\$417,997	\$39,053	(\$9,492,547)
Special	2,381,622	0	997,588	0	(1,384,034)
Vocational	146,524	0	11,239	0	(135,285)
Student Intervention Services	610,753	0	0	0	(610,753)
Support Services:					
Pupils	912,471	0	41,300	0	(871,171)
Instructional Staff	221,642	0	7,460	0	(214,182)
Board of Education	22,482	0	0	0	(22,482)
Administration	1,190,769	0	26,979	0	(1,163,790)
Fiscal	673,123	0	59,425	0	(613,698)
Business	20,594	0	0	0	(20,594)
Operation and Maintenance of Plant	1,864,883	65,135	0	150	(1,799,598)
Pupil Transportation	1,100,594	0	0	0	(1,100,594)
Central	340,345	0	5,400	0	(334,945)
Extracurricular Activities	813,468	232,574	11,706	0	(569,188)
Operation of Non-Instructional Services:					
Food Service Operations	802,666	314,239	440,398	0	(48,029)
Other Non-Instructional Services	404,540	0	85,537	0	(319,003)
Interest and Fiscal Charges	669,173	0	0	0	(669,173)
<b>Totals</b>	<b>\$23,289,898</b>	<b>\$1,776,600</b>	<b>\$2,105,029</b>	<b>39,203</b>	<b>(19,369,066)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	5,684,239
Debt Service	952,604
Classroom Facilities	84,858

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings	25,175
Miscellaneous	556,681

*Total General Revenues* 16,711,655

Change in Net Position (2,657,411)

*Net Position Beginning of Year* 41,284,787

*Net Position End of Year* \$38,627,376

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**

*Balance Sheet  
Governmental Funds  
June 30, 2014*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,767,983	\$452,788	\$1,190,389	\$4,411,160
Cash and Cash Equivalents				
With Fiscal Agents	114,313	0	0	114,313
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	97,243	0	0	97,243
Receivables:				
Property Taxes	7,097,512	1,158,184	103,181	8,358,877
Accounts	4,544	0	1,505	6,049
Intergovernmental	33,686	0	136,355	170,041
Interfund Receivable	40,026	0	0	40,026
Accrued Interest Receivable	3,043	0	0	3,043
Inventory Held for Resale	0	0	9,051	9,051
<i>Total Assets</i>	<u>\$10,158,350</u>	<u>\$1,610,972</u>	<u>\$1,440,481</u>	<u>\$13,209,803</u>
<b>Liabilities</b>				
Accounts Payable	\$48,414	\$0	\$55,137	\$103,551
Accrued Wages	1,643,486	0	147,985	1,791,471
Contracts Payable	111,268	0	0	111,268
Retainage Payable	114,313	0	0	114,313
Intergovernmental Payable	375,732	0	28,746	404,478
Interfund Payable	0	0	40,026	40,026
<i>Total Liabilities</i>	<u>2,293,213</u>	<u>0</u>	<u>271,894</u>	<u>2,565,107</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	5,891,823	964,140	86,030	6,941,993
Unavailable Revenue	1,180,883	186,623	90,954	1,458,460
<i>Total Deferred Inflows of Resources</i>	<u>7,072,706</u>	<u>1,150,763</u>	<u>176,984</u>	<u>8,400,453</u>
<b>Fund Balances:</b>				
Nonspendable	30,348	0	0	30,348
Restricted	0	460,209	1,029,733	1,489,942
Committed	192,463	0	85,962	278,425
Assigned	569,620	0	0	569,620
Unassigned (Deficit)	0	0	(124,092)	(124,092)
<i>Total Fund Balances</i>	<u>792,431</u>	<u>460,209</u>	<u>991,603</u>	<u>2,244,243</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$10,158,350</u>	<u>\$1,610,972</u>	<u>\$1,440,481</u>	<u>\$13,209,803</u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2014*

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<b>Total Governmental Funds Balances</b>	<b>\$2,244,243</b>
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*Amounts reported for governmental activities in the statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,966,036
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	1,362,696
Intergovernmental	95,764

Total	1,458,460
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(49,092)
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Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(57,747)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Classroom Facilities Bonds	(15,940,562)
Athletic Facilities Lease Purchase	(1,520,000)
Bond Premium	(1,817,540)
Bond Discount	89,981
Compensated Absences	(990,697)
Deferred Charge on Refunding	1,244,294

Total	(18,934,524)
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<i>Net Position of Governmental Activities</i>	<b>\$38,627,376</b>
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See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$5,743,285	\$967,579	\$85,617	\$6,796,481
Intergovernmental	9,905,607	179,049	1,473,158	11,557,814
Interest	25,175	0	468	25,643
Charges for Services	22,587	0	314,239	336,826
Tuition and Fees	1,164,652	0	0	1,164,652
Extracurricular Activities	24,735	0	185,252	209,987
Rentals	65,135	0	0	65,135
Contributions and Donations	52,921	0	12,856	65,777
Miscellaneous	488,420	0	68,261	556,681
<i>Total Revenues</i>	<u>17,492,517</u>	<u>1,146,628</u>	<u>2,139,851</u>	<u>20,778,996</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,107,848	0	967,464	9,075,312
Special	2,011,598	0	290,775	2,302,373
Vocational	146,524	0	0	146,524
Student Intervention Services	610,753	0	0	610,753
Support Services:				
Pupils	862,446	0	74,151	936,597
Instructional Staff	137,197	0	7,873	145,070
Board of Education	22,482	0	0	22,482
Administration	1,191,897	0	32,974	1,224,871
Fiscal	623,082	21,069	1,864	646,015
Business	20,594	0	0	20,594
Operation and Maintenance of Plant	1,830,794	0	0	1,830,794
Pupil Transportation	1,001,632	0	0	1,001,632
Central	330,096	0	5,400	335,496
Extracurricular Activities	439,422	0	183,276	622,698
Operation of Non-Instructional Services:				
Food Service Operations	0	0	772,305	772,305
Other Non-Instructional Services	298,145	0	83,638	381,783
Capital Outlay	1,828,110	0	1,511,358	3,339,468
Debt Service:				
Principal Retirement	0	625,000	0	625,000
Interest and Fiscal Charges	31,973	549,056	0	581,029
Bond Issuance Costs	20,000	0	0	20,000
<i>Total Expenditures</i>	<u>19,514,593</u>	<u>1,195,125</u>	<u>3,931,078</u>	<u>24,640,796</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,022,076)</u>	<u>(48,497)</u>	<u>(1,791,227)</u>	<u>(3,861,800)</u>
<b>Other Financing Sources (Uses)</b>				
Lease Purchase Obligation Issued	1,520,000	0	0	1,520,000
Transfers In	0	0	11,000	11,000
Transfers Out	(11,000)	0	0	(11,000)
<i>Total Other Financing Sources (Uses)</i>	<u>1,509,000</u>	<u>0</u>	<u>11,000</u>	<u>1,520,000</u>
<i>Net Change in Fund Balances</i>	(513,076)	(48,497)	(1,780,227)	(2,341,800)
<i>Fund Balances Beginning of Year</i>	<u>1,305,507</u>	<u>508,706</u>	<u>2,771,830</u>	<u>4,586,043</u>
<i>Fund Balances End of Year</i>	<u>\$792,431</u>	<u>\$460,209</u>	<u>\$991,603</u>	<u>\$2,244,243</u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

**Net Change in Fund Balances - Total Governmental Funds** (\$2,341,800)

*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 Asset Additions	3,083,301	
Current Year Depreciation	<u>(2,143,669)</u>	
Total		939,632

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (7,388)

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

Delinquent Property Taxes	(74,780)	
Intergovernmental	<u>(71,729)</u>	
Total		(146,509)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 625,000

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

Accrued Interest	(2,558)	
Amortization of Accretion	(111,119)	
Amortization of Bond Premium	90,095	
Amortization of Bond Discount	(4,354)	
Amortization of Deferred Charge on Refunding	<u>(60,208)</u>	
Total		(88,144)

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	(77,440)	
Vacation Benefits Payable	<u>(40,762)</u>	
Total		(118,202)

Other financing sources, such as the athletic facilities lease purchase in the governmental funds increase long-term liabilities in the statement of net position. (1,520,000)

*Change in Net Position of Governmental Activities* (\$2,657,411)

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$5,621,627	\$5,769,624	\$5,769,624	\$0
Intergovernmental	9,521,092	9,941,649	9,945,649	4,000
Interest	17,277	28,140	31,610	3,470
Charges for Services	2,633	22,587	22,587	0
Tuition and Fees	1,157,642	1,164,652	1,164,652	0
Rentals	68,151	63,722	65,047	1,325
Contributions and Donations	23,560	41,185	41,185	0
Miscellaneous	429,565	475,349	485,388	10,039
<i>Total Revenues</i>	16,841,547	17,506,908	17,525,742	18,834
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,811,691	8,110,049	8,108,780	1,269
Special	1,749,545	1,942,537	1,942,537	0
Vocational	246,037	159,316	159,316	0
Student Intervention Services	592,523	610,753	610,753	0
Support Services:				
Pupils	820,288	866,578	866,578	0
Instructional Staff	190,220	211,550	211,550	0
Board of Education	14,853	22,457	22,457	0
Administration	1,211,436	1,195,986	1,195,986	0
Fiscal	456,841	629,500	629,500	0
Business	35,366	20,605	20,605	0
Operation and Maintenance of Plant	1,748,346	1,824,348	1,824,252	96
Pupil Transportation	896,364	1,022,929	1,022,929	0
Central	272,780	326,354	326,354	0
Extracurricular Activities	350,209	423,762	423,762	0
Operation of Non-Instructional Services:				
Other Non-Instructional Services	259,051	298,820	298,820	0
Capital Outlay	179,173	1,953,678	1,953,678	0
Debt Service:				
Interest and Fiscal Charges	0	31,973	31,973	0
Issuance Costs	0	20,000	20,000	0
<i>Total Expenditures</i>	16,834,723	19,671,195	19,669,830	1,365
<i>Excess of Revenues Over (Under) Expenditures</i>	6,824	(2,164,287)	(2,144,088)	20,199
<b>Other Financing Sources (Uses)</b>				
Proceeds of Lease Purchase Obligation	0	1,520,000	1,520,000	0
Advances In	10,101	31,995	31,995	0
Advances Out	0	(26)	(26)	0
Transfers Out	(1,642)	(11,000)	(11,000)	0
<i>Total Other Financing Sources (Uses)</i>	8,459	1,540,969	1,540,969	0
<i>Net Change in Fund Balance</i>	15,283	(623,318)	(603,119)	20,199
<i>Fund Balance Beginning of Year</i>	3,111,949	3,111,949	3,111,949	0
Prior Year Encumbrances Appropriated	86,365	86,365	86,365	0
<i>Fund Balance End of Year</i>	\$3,213,597	\$2,574,996	\$2,595,195	\$20,199

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2014*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$115,041</u>
<b>Liabilities</b>	
Undistributed Monies	\$1,862
Due to Students	<u>113,179</u>
<i>Total Liabilities</i>	<u>\$115,041</u>

See accompanying notes to the basic financial statements

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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### **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 224<sup>th</sup> largest by enrollment among the 615 public school districts in the State. The Board of Education controls the School District's K-12 campus with 3 separate instructional facilities staffed by 81 classified employees, 126 certified employees and 14 administrators who provide services to 2,007 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District is associated with two jointly governed organizations, a related organization and an insurance purchasing pool. These organizations are the Northeast Ohio Management Information Network, the Trumbull Career and Technical Center, the Hubbard Public Library, and the Ohio School Boards' Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### **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 more significant of the School District's accounting policies are described below.

#### ***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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. The School District, however, has no business-type activities.

The statement of net position 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 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.

#### ***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. In reporting its financial activities, the School District uses two categories of funds: governmental 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. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**General Fund** The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported 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.

**Bond Retirement Fund** The bond retirement fund accounts and report tax levies that are restricted for the repayment of general obligation bonds of the School District.

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. 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 and OHSAA tournament activities.

### **Measurement Focus**

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

**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 deferred outflows of resources and current liabilities and deferred inflows of resources, generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

### **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 statement presented for the fiduciary fund 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 inflows of resources, and in the presentation of expenses versus expenditures.

**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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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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 Outflows/Inflows of Resources*** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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.

### ***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

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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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. Prior to fiscal year-end, the School District passed an amended appropriation measure which closely matched appropriations to expenditures plus encumbrances in the majority of categories.

### ***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.

The School District utilizes a financial institution to account for a retainage account. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 2014, investments were limited to repurchase agreements and mutual funds.

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 2014 amounted to \$25,175, of which \$8,647 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.

### ***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. Restricted assets in the general fund represent a reserve for budget stabilization as well as money set aside as unclaimed monies. See Note 20 for additional information regarding set asides.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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***Inventory***

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

***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 position 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.

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

***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 position.

***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 all accumulated unused vacation time when earned for all employees. Since the School District’s policy limits the accrual of vacation time to one year from the employee’s anniversary date, the outstanding liability is recorded as “vacation benefits payable” on the statement of net position rather than as a long-term liability.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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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.

### ***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 and compensated absences 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.

### ***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.

### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance is to cover a gap between estimated resources and appropriations in fiscal year 2015's budget.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position 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 position are available.

### ***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

### ***Bond Premiums and Discounts***

On the government-wide financial statements, bond premiums and discounts 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

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bonds discounts are expended as other financing use in the year the bonds are issued.

***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.

**Note 3 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Unclaimed Funds	\$30,348	\$0	\$0	\$30,348
<b><i>Restricted for</i></b>				
Athletics	0	0	22,835	22,835
Classroom Facilities Maintenance	0	0	800,963	800,963
Auxiliary Services	0	0	2,599	2,599
Technology Improvements	0	0	1,524	1,524
Student Instruction	0	0	2,147	2,147
Remedial Reading	0	0	440	440
Debt Service Payments	0	460,209	0	460,209
Capital Improvements	0	0	199,225	199,225
<b><i>Total Restricted</i></b>	<b>0</b>	<b>460,209</b>	<b>1,029,733</b>	<b>1,489,942</b>
<b><i>Committed to</i></b>				
Budget Stabilization	66,895	0	0	66,895
Capital Improvements	125,568	0	0	125,568
Underground Storage Unit	0	0	11,000	11,000
College Scholarships	0	0	74,962	74,962
<b><i>Total Committed</i></b>	<b>192,463</b>	<b>0</b>	<b>85,962</b>	<b>278,425</b>
<b><i>Assigned to</i></b>				
Purchases on Order	156	0	0	156
Fiscal Year 2015 Operations	542,368	0	0	542,368
Other Purposes	27,096	0	0	27,096
<b><i>Total Assigned</i></b>	<b>569,620</b>	<b>0</b>	<b>0</b>	<b>569,620</b>
<b>Unassigned (Deficit)</b>	<b>0</b>	<b>0</b>	<b>(124,092)</b>	<b>(124,092)</b>
<b>Total Fund Balances</b>	<b>\$792,431</b>	<b>\$460,209</b>	<b>\$991,603</b>	<b>\$2,244,243</b>

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### Note 4 - 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 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 restricted, committed or assigned fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.
5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Budgetary revenues and expenditures of the public school support funds are reclassified to the general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

	<u>General</u>
GAAP Basis	(\$513,076)
Net Adjustment for Revenue Accruals	(25,888)
Advances In	31,995
Beginning Unrecorded Interest	13,937
Net Adjustment for Expenditure Accruals	130,492
Perspective Difference:	
Public School Support	(492)
Advances Out	(26)
Encumbrances	<u>(240,061)</u>
Budget Basis	<u><u>(\$603,119)</u></u>

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**Note 5 – Accountability**

*Accountability*

Fund balances at June 30, 2014, included the following individual non-major fund deficits:

<b>Special Revenue Funds</b>	
Food Service	\$40,405
Title VI-B	21,792
Title I	19,662
Title II-A	5,933
<b>Capital Projects Fund</b>	
Permanent Improvement	36,300

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

**Note 6 - Deposits and Investments**

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

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

Inactive deposits are public deposits 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;

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 (STAR Ohio); 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.

### Investments

As of June 30, 2014, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Moody Rating</u>	<u>Percent of Total Investments</u>
Repurchase Agreements	\$709,174	Less than one year	Aaa	73.29 %
Invesco Short-term Investments Trust Government & Agency Mutual Funds	<u>258,389</u>	Less than one year	Aaa	26.71
Total Portfolio	<u><u>\$967,563</u></u>			

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

**Credit Risk.** The Moody's ratings of the School Districts investments are listed in the table above. 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.

### 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.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2014, are available to finance fiscal year 2014 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 and public utility property taxes which are measurable as of June 30, 2014 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 were levied to finance current fiscal year operations are 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 inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2014 was \$46,111 in the general fund, \$7,421 in the bond retirement fund and \$656 in the classroom facilities fund. The amount available as an advance at June 30, 2013 was \$72,450 in the general fund and \$11,985 in the bond retirement fund and \$1,026 in the classroom facilities fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$196,134,170	96.97%	\$196,115,010	96.69%
Public Utility Personal	6,119,860	3.03	6,714,290	3.31
<b>Total</b>	<b>\$202,254,030</b>	<b>100.00%</b>	<b>\$202,829,300</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation	\$58.75		\$58.60	

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**Note 8 - Receivables**

Receivables at June 30, 2014, 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 property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Title VI-B	\$78,831
Title I	48,335
School Employee Retirement System	21,305
Improving Teacher Quality	9,189
Catastrophic Aid Reimbursement	9,095
Ohio Job & Family Services	2,761
ESC Reimbursement	525
Total	<u><u>\$170,041</u></u>

**Note 9 - Interfund Transfers and Balances**

***Interfund Transfers***

The general fund transferred \$11,000 to the underground storage tank special revenue fund to commit money for an underground storage tank.

***Interfund Balances***

Interfund balances at June 30, 2014, consist of an interfund receivable/payable between the general fund and the permanent improvement capital projects fund in the amount of \$40,000. This loan, used to supplement prior year lease purchase proceeds, is expected to be repaid over the next three years. Other interfund balances consist of interfund receivable/payable between the general fund and title I special revenue fund in the amount of \$26. This loan was made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
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**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$462,720	\$0	\$0	\$462,720
Construction in Progress	0	440,741	0	440,741
<i>Total Nondepreciable Capital Assets</i>	<u>462,720</u>	<u>440,741</u>	<u>0</u>	<u>903,461</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	3,293,861	2,618,869	0	5,912,730
Buildings and Improvements	53,155,595	0	0	53,155,595
Furniture and Fixtures	1,288,765	0	0	1,288,765
Vehicles	1,626,117	23,691	(14,776)	1,635,032
<i>Total at Historical Cost</i>	<u>59,364,338</u>	<u>2,642,560</u>	<u>(14,776)</u>	<u>61,992,122</u>
Less: Accumulated Depreciation				
Land Improvements	(1,092,219)	(230,607)	0	(1,322,826)
Buildings and Improvements	(4,054,278)	(1,657,287)	0	(5,711,565)
Furniture and Fixtures	(364,325)	(166,437)	0	(530,762)
Vehicles	(1,282,444)	(89,338)	7,388	(1,364,394)
<i>Total Accumulated Depreciation</i>	<u>(6,793,266)</u>	<u>(2,143,669) *</u>	<u>7,388</u>	<u>(8,929,547)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>52,571,072</u>	<u>498,891</u>	<u>(7,388)</u>	<u>53,062,575</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$53,033,792</u>	<u>\$939,632</u>	<u>(\$7,388)</u>	<u>\$53,966,036</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,740,869
Support Services	
Instructional Staff	101,537
Operation and Maintenance of Plant	10,309
Pupil Transportation	86,723
Extracurricular Activities	169,220
Operation of Non-Instructional Services:	
Food Service Operations	25,720
Other Non-Instructional Services	9,291
Total Depreciation Expense	<u>\$2,143,669</u>

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

### Note 11 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding June 30, 2013	Additions	Deductions	Principal Outstanding June 30, 2014	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2007 Classroom Facilities Improvement Bonds					
Current Interest Serial Bonds 3.60 - 4.00 %	\$2,145,000	\$0	(\$415,000)	\$1,730,000	\$440,000
Capital Appreciation Bonds 4.10 %	203,533	0	0	203,533	0
Accretion on Capital Appreciation Bonds	164,946	36,942	0	201,888	0
Current Interest Term Bonds 4.25 - 5.00 %	5,790,000	0	0	5,790,000	0
Premium on Bonds	218,116	0	(12,117)	205,999	0
<b>Total 2007 Classroom Facilities Improvement Bonds</b>	<b>8,521,595</b>	<b>36,942</b>	<b>(427,117)</b>	<b>8,131,420</b>	<b>440,000</b>
2013 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 3.50 %	7,735,000	0	(210,000)	7,525,000	145,000
Capital Appreciation Bonds 1.25 - 2.15%	69,991	0	0	69,991	0
Accretion on Capital Appreciation Bonds	15,973	74,177	0	90,150	0
Current Interest Term Bonds 2.75 %	330,000	0	0	330,000	0
Premium on Bonds	1,689,519	0	(77,978)	1,611,541	0
Discount on Bonds	(94,335)	0	4,354	(89,981)	0
<b>Total 2013 Classroom Facilities Improvement Bonds</b>	<b>9,746,148</b>	<b>74,177</b>	<b>(283,624)</b>	<b>9,536,701</b>	<b>145,000</b>
<b>Total General Obligation Bonds</b>	<b>18,267,743</b>	<b>111,119</b>	<b>(710,741)</b>	<b>17,668,121</b>	<b>585,000</b>
<b>Other Long-term Obligations</b>					
2014 Athletics Facilities Lease Purchase Obligation	0	1,520,000	0	1,520,000	125,000
Compensated Absences	913,257	305,769	(228,329)	990,697	247,686
<b>Total Other Long-term Obligations</b>	<b>913,257</b>	<b>1,825,769</b>	<b>(228,329)</b>	<b>2,510,697</b>	<b>372,686</b>
<b>Total Governmental Activities</b>					
<i>Long-Term Liabilities</i>	<u>\$19,181,000</u>	<u>\$1,936,888</u>	<u>(\$939,070)</u>	<u>\$20,178,818</u>	<u>\$957,686</u>

On March 22, 2007, the School District issued \$18,598,533 in voted general obligation classroom facilities improvement bonds which include serial, term and capital appreciation (deep discount) bonds in the amounts of \$5,010,000, \$13,385,000 and \$203,533, respectively. The general obligation classroom facilities improvement bonds were issued for the purpose of providing funding for the construction of three new school buildings on a centralized campus. During fiscal year 2013, a portion of the serial and term bonds were retired by the School District through an advance refunding. The original general obligation bonds were issued for a twenty-nine year period with final maturity at December 1, 2034, and after the advance refunding has a final maturity at December 1, 2030.

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 2013 was \$36,942, for a total outstanding bond liability of \$405,421 at June 30, 2014.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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

Year	Issue	
	\$2,970,000	\$2,820,000
2024	\$615,000	\$0
2025	745,000	0
2026	785,000	0
2028	0	895,000
2029	0	940,000
Total Mandatory Sinking Fund Payments	2,145,000	1,835,000
Amount Due at Stated Maturity	825,000	985,000
Total	<u>\$2,970,000</u>	<u>\$2,820,000</u>
<i>Stated Maturity</i>	<i>12/1/2027</i>	<i>12/1/2030</i>

On March 14, 2013, the School District issued \$8,134,991 in general obligation bonds to refund a portion of the 2007 general obligation classroom facilities improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$7,735,000, \$330,000 and \$69,991, respectively. The bonds were issued for a twenty-two period with a final maturity at December 1, 2034.

The capital appreciation bonds were originally sold at a discount of \$1,915,009, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is fiscal year 2021.

The maturity amount of outstanding capital appreciation bonds is \$1,985,000. The accretion recorded for fiscal year 2013 was \$74,177, for a total outstanding bond liability of \$160,141 at June 30, 2014.

The term bond matures on December 1, 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$330,000
2025	\$45,000
2026	45,000
2027	45,000
2028	45,000
2029	50,000
2030	50,000
Total Mandatory Sinking Fund Payments	280,000
Amount Due at Stated Maturity	50,000
Total	<u>\$330,000</u>
<i>Stated Maturity</i>	<i>12/1/2031</i>

The refunding bonds were sold at a premium of \$1,715,509. Net proceeds of \$9,677,683 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

portion of the various bonds. As a result, \$8,135,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the School District's financial statements.

On October 8, 2013, the School District issued \$1,520,000 lease purchase obligations (LPOs), for use in acquiring, constructing and installing improvements to athletic facilities and equipment. The LPOs issuance included issuance costs of \$20,000. The LPOs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The LPOs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Huntington National Bank, and then leased back to the School District. The LPOs were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for ten successive one year term through June 30, 2024, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 3.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date on and after December 1, 2018 by paying the amount necessary to defease the Indenture.

Annual base rent requirements to retire the lease purchase obligations outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$125,000	\$47,369	\$172,369
2016	135,000	43,144	178,144
2017	140,000	38,675	178,675
2018	145,000	34,043	179,043
2019	150,000	29,250	179,250
2020 - 2024	825,000	68,656	893,656
Total	\$1,520,000	\$261,137	\$1,781,137

The general obligation classroom facilities bonds will be paid from the bond retirement debt service fund. The athletics facilities lease purchase obligation will be paid from the general fund. The compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds.

The overall debt margin of the School District as of June 30, 2014 was \$3,066,322 with an unvoted debt margin of \$202,829. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

Fiscal Year Ending June 30	General Obligation Bonds - Classroom Facilities Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$585,000	\$275,033	\$0	\$0	\$0	\$255,149
2016	465,000	256,208	27,429	122,571	0	255,149
2017	0	246,908	218,199	446,801	0	255,149
2018	400,000	238,909	7,842	142,158	0	255,149
2019	425,000	222,408	4,192	145,808	0	255,149
2020 - 2024	2,230,000	1,003,650	15,862	1,369,138	0	1,144,145
2025 - 2029	0	842,655	0	0	4,095,000	859,006
2030 - 2034	3,765,000	651,754	0	0	2,025,000	85,519
2035	1,385,000	21,641	0	0	0	0
<b>Total</b>	<b>\$9,255,000</b>	<b>\$3,759,166</b>	<b>\$273,524</b>	<b>\$2,226,476</b>	<b>\$6,120,000</b>	<b>\$3,364,415</b>

**Note 12 - Risk Management**

***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 2014, the School District contracted with Ohio Casualty for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$65,776,281
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.

***Worker's Compensation***

For fiscal year 2014, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). 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.

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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### **Note 13 - Jointly Governed Organizations**

***Northeast Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers 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 \$36,845 to NEOMIN during fiscal year 2014.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Hubbard Exempted Village School District was not represented on the Governing Board during fiscal year 2014. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. 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, 6000 Youngstown Warren Road, Niles, Ohio 44446.

***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 nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull County Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. 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.

### **Note 14 – 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, Lorena Williams, Director, at 436 West Liberty Street, Hubbard, Ohio 44425.

### **Note 15 - Insurance Purchasing Pool**

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

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### **Note 16 – Defined Benefit Pension Plans**

#### ***School Employee Retirement System***

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting SERS website at [www.ohsers.org](http://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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advices of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contributions rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$346,398, \$342,734 and \$333,314, respectively. For fiscal year 2014, 91.56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

#### ***State Teachers Retirement System***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,021,052 and \$39,652 for the fiscal year ended June 30, 2014, \$1,058,456 and \$38,812 for the fiscal year ended June 30, 2013, and \$1,091,077 and \$38,498 for the fiscal year ended June 30, 2012. For fiscal year 2014, 85.05 percent has been contributed for the DB plan and 85.05 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 was \$9,252 made by the School District and \$7,270 made by the plan members. In addition, member contributions of \$31,155 were made for fiscal year 2014 for the defined portion of the combined plan.

### **Note 17 – Postemployment Benefits**

#### ***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$46,341 in surcharge.

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

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$50,043, \$58,097 and \$66,925 respectively. For fiscal year 2014, 91.56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$20,096, \$19,970 and \$19,684 respectively. For fiscal year 2014, 91.56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

### ***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$77,900, \$81,689 and \$85,174 respectively. For fiscal year 2014, 85.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

## **Note 18 - Other Employee Benefits**

### ***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 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 100 days for classified employees and 100 days for certified employees.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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***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 \$300 deductible for single and a \$600 deductible for family. The premiums are set up on a four - tier system.

<u>Premiums By Plan Type</u>	<u>Single</u>	<u>Employee and Spouse</u>	<u>Employee and Child(ren)</u>	<u>Family</u>
Medical Plan	\$572.11	\$1,201.43	\$1,087.01	\$1,716.33
Dental Plan	32.70	56.74	70.22	104.15
Vision Plan	7.26	14.20	14.88	21.47

Employees working less than 35 hours per week are expected to pay a percentage of all health premiums based on the number of hours they work per day. All full time employees pay 7 percent of health and dental and receive vision at 100 percent employer paid.

**Note 19 - Contingencies**

***Grants***

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

***B. Litigation***

As of June 30, 2014, the School District was not party to any legal proceedings.

**Note 20 - 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 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, 2014, only the unspent portion of certain workers' compensation refunds continues to be set aside.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

	Capital Improvements Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2013	\$0	\$66,895
Prior Year Carryover	(16,273,524)	0
Current Year Set-aside Requirement	346,213	0
Qualifying Disbursements	0	0
Total	<u>(\$15,927,311)</u>	<u>\$66,895</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$15,648,524)</u>	<u>\$66,895</u>
Set-aside Reserve Balance as of June 30, 2014	<u>\$0</u>	<u>\$66,895</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set aside amount to below zero. The negative balance being carried forward represents the still outstanding balance on the School District's Schools Facilities Commission bonds. The total reserve balance for set-asides at the end of the fiscal year was \$66,895.

**Note 21 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and it facilitates effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<b>Governmental Funds</b>	
General	\$240,061
Other Governmental Funds	<u>64,343</u>
<i>Total Governmental Funds</i>	<u>\$304,404</u>

**Note 22 – Subsequent Events**

On October 27, 2014, the School District's Board of Education passed a resolution to eliminate the budget stabilization reserve of \$66,895.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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On October 27, 2014, the School District's Board of Education passed a resolution to reclassify the remaining interfund receivable/payable between the general fund and the permanent improvement capital projects fund in the amount \$40,000 from an advance to a transfer. The \$40,000 represents the remaining portion of an advance of \$215,000 from the general fund to the permanent improvement capital projects fund, which was originally advanced in fiscal year 2006.

In December of 2014, the School District issued refunding bonds to take advantage of lower interest rates, in an amount not to exceed \$6,615,000, per Resolution #15-08.

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
National School Breakfast Program	2013/2014	10.553	\$52,061	\$52,061
National School Lunch Program	2013/2014	10.555	344,805	344,805
<i>Non-Cash Assistance:</i>				
National School Lunch Program	2013/2014	10.555	<u>72,793</u>	<u>72,793</u>
<i>Total Nutrition Cluster</i>			469,659	469,659
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I, Part A Cluster</i>				
Title I Grants to Local Educational Agencies	2013	84.010	107,213	107,213
Title I Grants to Local Educational Agencies	2014	84.010	330,961	329,686
<i>Total Title I Grants to Local Educational Agencies</i>			<u>438,174</u>	<u>436,899</u>
<i>Special Education Cluster (IDEA)</i>				
Special Education Grants to States	2013	84.027	37,481	55,962
Special Education Grants to States	2014	84.027	322,557	322,545
<i>Total Special Education Grants to States</i>			<u>360,038</u>	<u>378,507</u>
Race to the Top (ARRA)	2014	84.395	<u>700</u>	<u>700</u>
<i>Improving Teacher Quality State Grants Title II, Part A</i>				
Improving Teacher Quality State Grants	2013	84.367	15,582	15,583
Improving Teacher Quality State Grants	2014	84.367	63,654	63,640
<i>Total Improving Teacher Quality State Grants</i>			<u>79,236</u>	<u>79,223</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>878,148</b></u>	<u><b>895,329</b></u>
<b>TOTALS</b>			<u><b>\$1,347,807</b></u>	<u><b>\$1,364,988</b></u>

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 - 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.

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Hubbard Exempted Village School District  
Trumbull County  
108 Orchard Ave  
Hubbard, OH 44425

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 2, 2015.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 2, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
108 Orchard Ave  
Hubbard, OH 44425

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Hubbard Exempted Village School District's (the District) compliance with the applicable 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 the Hubbard Exempted Village School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Hubbard Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 2, 2015

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010-Title I Grants to Local Educational Agencies CFDA # (10.555 and 10.553) National School Lunch Program Cluster
<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?	No

**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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# Dave Yost • 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  
FEBRUARY 19, 2015**