

HUBBARD UNION CEMETERY

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Board of Trustees
Hubbard Union Cemetery
210 Oakdale Ave
Hubbard, OH 44425

We have reviewed the *Independent Auditor's Report* of the Hubbard Union Cemetery, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hubbard Union Cemetery is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 11, 2015

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HUBBARD UNION CEMETERY
TRUMBULL COUNTY, OHIO
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Hubbard Union Cemetery
Trumbull County
210 Oakdale Avenue
Hubbard, Ohio 44425

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Hubbard Union Cemetery, Trumbull County, (the Cemetery) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Cemetery'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 Cemetery'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.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Cemetery does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles


In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Cemetery as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Hubbard Union Cemetery, Trumbull County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Cemetery'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 Cemetery's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 15, 2015

**HUBBARD UNION CEMETERY
TRUMBULL COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General
Cash Receipts:	
Intergovernmental	\$40,849
Charges for Services	68,300
Sale of Lots	24,450
Earnings on Investments	6
Miscellaneous	2,415
Total Cash Receipts	136,020
Cash Disbursements:	
Current Disbursements:	
Salaries	58,132
Supplies	399
Equipment	1,000
Utilities	2,699
Hospitalization and Insurance	19,671
Public Employees' Retirement	18,300
Workers' Compensation	3,063
Miscellaneous	25,801
Total Cash Disbursements	129,065
Net Change in Fund Cash Balance	6,955
Fund Cash Balances, January 1	61,375
Fund Cash Balances, December 31	
Unassigned	68,330
<i>Fund Cash Balances, December 31</i>	\$68,330

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

HUBBARD UNION CEMETERY
TRUMBULL COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Private Purpose Trust</u>
Cash Receipts:	
Earnings on Investments	<u>\$11</u>
Total Cash Receipts	<u>11</u>
Cash Disbursements:	
Current Disbursements:	
Miscellaneous	<u>1,050</u>
Total Cash Disbursements	<u>1,050</u>
Net Change in Fund Cash Balance	(1,039)
Fund Cash Balances, January 1	<u>15,715</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$14,676</u></u>

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

**HUBBARD UNION CEMETERY
TRUMBULL COUNTY**

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

	General
Cash Receipts:	
Intergovernmental	\$42,597
Charges for Services	76,949
Sale of Lots	22,975
Earnings on Investments	5
Miscellaneous	6,645
	149,171
 Cash Disbursements:	
Current Disbursements:	
Salaries	63,427
Supplies	2,067
Equipment	1,170
Utilities	2,488
Hospitalization and Insurance	19,541
Public Employees' Retirement	19,462
Workers' Compensation	1,548
Miscellaneous	35,353
	145,056
 Total Cash Disbursements	 145,056
 Net Change in Fund Cash Balance	 4,115
 Fund Cash Balances, January 1	 57,260
Fund Cash Balances, December 31	
Unassigned	61,375
<i>Fund Cash Balances, December 31</i>	\$61,375

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

HUBBARD UNION CEMETERY
TRUMBULL COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust</u>
Cash Receipts:	
Earnings on Investments	\$10
Miscellaneous	<u>2,400</u>
Total Cash Receipts	<u>2,410</u>
Cash Disbursements:	
Miscellaneous	<u>1,050</u>
Total Cash Disbursements	<u>1,050</u>
Net Change in Fund Cash Balance	1,360
Fund Cash Balances, January 1	<u>14,355</u>
<i>Fund Cash Balances, December 31</i>	<u>\$15,715</u>

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

HUBBARD UNION CEMETERY
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges for the Hubbard Union Cemetery, Trumbull County, (the Cemetery). A joint session of the City of Hubbard and Hubbard Township appoint a three-member Board of Trustees to direct cemetery operations. These entities also provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery. The accompanying financial statements present this funding as Intergovernmental Receipts. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots.

The Cemetery's management believes these financial statements present all activities for which the Cemetery is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Cemetery recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. DEPOSITS AND INVESTMENTS

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

D. FUND ACCOUNTING

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

HUBBARD UNION CEMETERY
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Cemetery's own programs.

The Cemetery's 10 minor private purpose trust funds are for the benefit of only those individuals' lots who have established such agreements.

E. FUND BALANCE

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**HUBBARD UNION CEMETERY
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. FUND BALANCE – (Continued)

5. Unassigned

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

The Cemetery 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.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand Deposits	\$80,506	\$74,590
Certificate of Deposit	\$2,500	\$2,500
Total	\$83,006	\$77,090

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. RETIREMENT SYSTEM

The Cemetery's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2014, OPERS members contributed 10% of their gross salaries and the Cemetery contributed an amount equaling 14% of participants' gross salaries. The Cemetery has paid all contributions required through December 31, 2014.

**HUBBARD UNION CEMETERY
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

4. RISK MANAGEMENT

Commercial Insurance

The Cemetery has obtained commercial insurance for the following risks:

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

The Cemetery also provides health insurance and dental and vision coverage to full-time employees through coverage from the City of Hubbard, which is reimbursed to the City.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Hubbard Union Cemetery
Trumbull County
210 Oakdale Avenue
Hubbard, Ohio 44425

To the Board of Trustees:

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 Hubbard Union Cemetery, Trumbull County (the Cemetery) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 15, 2015, wherein we noted the Cemetery followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a 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 Cemetery'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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Cemetery'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*.

We also noted certain matters not requiring inclusion in this report that we reported to the Cemetery's management in a separate letter dated June 15, 2015.

Entity's Response to Finding

The Cemetery's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Cemetery's response and, accordingly, we express no opinion on it.

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 Cemetery's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Cemetery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 15, 2015

**HUBBARD UNION CEMETERY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2014 and 2013**

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

Finding Number 2014-001 – Material Weakness – Financial Reporting

During 2014 and 2013, the Cemetery made several errors and omissions with regards to their annual financial reports that resulted in inaccurate and incomplete financial statements.

The Cemetery failed to properly account for the balances and activities of the various expendable trust fund bequest accounts in the Cemetery's possession. Once a year the Cemetery would transfer an agreed upon amount into the general fund and subsequently disburse it as the lots were maintained. However, the transfer was erroneously recorded as miscellaneous revenue. Further, the interest earned on these accounts was not recorded in a Fiduciary Fund. The balances from these accounts were not reported in the annual financial statements.

The Cemetery failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the years ended December 31, 2014 and 2013 as mandated by Auditor of State Bulletin 2011-004 for regulatory basis financial statements. Under GASB No. 54, fund balance is divided into five classifications based primarily on the extent to which the Cemetery must observe constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In addition, GASB No. 54 provides additional clarity in how governmental funds should be classified.

By not implementing GASB No. 54 the Cemetery is not fully disclosing constraints imposed on the fund balances. Additionally, implementation of the requirements of GASB 54 could also affect the fund type classification of funds.

Adjustments were made in the financial statements and the Cemetery's records to reflect the proper presentation.

We recommend that the Cemetery refer to the guidance provided by the Auditor of State to properly account for all of its transactions and balances, and to account for all bequest account activity as Fiduciary Funds. Also, we recommend the Cemetery adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

Management Response:

The Fiscal Officer understands the adjustments made and will implement procedures to alleviate the issues going forward.

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Dave Yost • Auditor of State

HUBBARD UNION CEMETERY

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
SEPTEMBER 24, 2015**