



Dave Yost • Auditor of State



HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information 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 basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 4, 2013

## Hubbard Exempted Village School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
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, 2012. 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 assets of governmental activities increased from fiscal year 2011 to fiscal year 2012. This increase is a result of the School District closely monitoring receipts to keep spending under control.
- Capital Assets increased due to the School District continuing construction on the new School District buildings. The new high school was completed during fiscal year 2011 and the elementary school was completed during fiscal year 2012. The middle school and administration building will be completed during fiscal year 2013.
- The School District's enrollment decreased from fiscal year 2011 to fiscal year 2012. As a result of this decrease, there was a decrease to 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.
- Health care benefits increased for the School District during fiscal year 2012. The medical and dental plans increased 10.35 percent and 14.42 percent, respectively. There was no increase for the vision plan. These increases were partially offset by an increase in deductibles and employees continuing to pay a percentage of the premiums based on hours worked per day.

### Overview of the Financial Statements

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

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

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

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

## Hubbard Exempted Village School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
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.

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

The basic fund financial statements can be found on pages 13-17 of this report.

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

The basic fiduciary fund financial statement can be found on page 18 of this report.

***Notes to the Basic Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-42 of this report.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2012 compared to 2011.



## Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

(Table 1)

### Net Assets

#### Governmental Activities

	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$22,828,051	\$33,792,181	(\$10,964,130)
Capital Assets, Net	54,131,658	44,589,628	9,542,030
<i>Total Assets</i>	<u>76,959,709</u>	<u>78,381,809</u>	<u>(1,422,100)</u>
<b>Liabilities</b>			
Current Liabilities	10,108,939	11,500,803	1,391,864
Long-Term Liabilities			
Due within One Year	616,792	650,541	33,749
Due in More than One Year	17,496,523	18,052,278	555,755
<i>Total Liabilities</i>	<u>28,222,254</u>	<u>30,203,622</u>	<u>1,981,368</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	36,649,863	27,526,095	9,123,768
Restricted for:			
Capital Projects	7,855,632	16,306,205	(8,450,573)
Debt Service	28,948	449,891	(420,943)
Unclaimed Monies	28,716	33,792	(5,076)
Set Asides	0	675,595	(675,595)
Other Purposes	987,105	767,494	219,611
Unrestricted	3,187,191	2,419,115	768,076
<i>Total Net Assets</i>	<u>\$48,737,455</u>	<u>\$48,178,187</u>	<u>\$559,268</u>

Current assets decreased due to a decrease in cash and cash equivalents and property taxes receivable. The decrease in available cash at fiscal year end can be contributed to the continued construction of the new school facilities. The decrease in property taxes receivable is due to a decrease in assessed valuations in the second half of fiscal year 2012. The decrease was partly offset by an increase in capital assets due to the construction which resulted in an overall decrease in total assets.

Total liabilities decreased during fiscal year 2012 due to decreases in both contracts payable and deferred revenue and the School District making principal and interest payments on outstanding debt obligations. Contracts Payable decreased due to the School District being closer to the completion of all construction projects. Decreases in deferred revenue relates to the decrease in property tax receivables.

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

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

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

**Hubbard Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2012 compared to 2011.

<b>(Table 2)</b>			
<b>Change in Net Assets</b>			
<b>Governmental Activities</b>			
	<u>2012</u>	<u>2011</u>	<u>Change</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,696,627	\$1,665,115	\$31,512
Operating Grants, Interest and Contributions	2,115,841	2,239,504	(123,663)
Capital Grants, Interest and Contributions	452,455	29,500	422,955
<i>Total Program Revenues</i>	<u>4,264,923</u>	<u>3,934,119</u>	<u>330,804</u>
<b>General Revenues</b>			
Property Taxes	6,861,721	6,832,991	28,730
Grants and Entitlements not Restricted	10,103,626	10,677,144	(573,518)
Investment Earnings	170,711	301,369	(130,658)
Miscellaneous	626,392	452,432	173,960
<i>Total General Revenues</i>	<u>17,762,450</u>	<u>18,263,936</u>	<u>(501,486)</u>
<i>Total Revenues</i>	<u>22,027,373</u>	<u>22,198,055</u>	<u>(170,682)</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	9,758,311	9,917,586	159,275
Special	1,555,745	1,871,298	315,553
Vocational	341,353	339,639	(1,714)
Support Services:			
Pupils	1,054,435	1,145,242	90,807
Instructional Staff	813,794	858,989	45,195
Board of Education	14,994	14,251	(743)
Administration	1,570,436	1,458,741	(111,695)
Fiscal	531,560	500,597	(30,963)
Business	25,178	27,084	1,906
Operation and Maintenance of Plant	1,780,532	1,943,086	162,554
Pupil Transportation	961,352	1,018,855	57,503
Central	307,313	316,160	8,847
Extracurricular Activities	677,627	782,744	105,117
Operation of Non-Instructional Services:			
Food Service Operations	851,493	890,163	38,670
Other Non-Instructional Services	450,026	417,769	(32,257)
Interest and Fiscal Charges	773,956	792,995	19,039
<i>Total Program Expenses</i>	<u>21,468,105</u>	<u>22,295,199</u>	<u>827,094</u>
<i>Increase (Decrease) in Net Assets</i>	559,268	(97,144)	656,412
Net Assets Beginning of Year	<u>48,178,187</u>	<u>48,275,331</u>	<u>(97,144)</u>
<i>Net Assets End of Year</i>	<u>\$48,737,455</u>	<u>\$48,178,187</u>	<u>\$559,268</u>

## Hubbard Exempted Village School District

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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.

Interest revenue decreased during the current fiscal year due to less cash available for investing and lower interest rates. This revenue will continue to decrease as the School District continues to invest in the new School District facilities.

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 instructional expenses was due to replacing retired teachers with younger teachers who fall lower on the salary schedule. The decrease in support staff expenses was due to reductions in personnel as well as closely monitoring expenses. The decrease was partly offset by increases in health benefit premiums.

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 2012 compared to 2011.

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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$11,655,409	\$9,351,575	\$12,128,523	\$10,010,824
Support Services:				
Pupils and Instructional Staff	1,868,229	1,543,904	2,004,231	1,744,076
Board of Education, Administration, Fiscal and Business	2,142,168	1,817,375	2,000,673	1,838,414
Operation and Maintenance of Plant	1,780,532	1,659,369	1,943,086	1,792,103
Pupil Transportation	961,352	889,586	1,018,855	912,931
Central	307,313	280,899	316,160	289,887
Extracurricular Activities	677,627	523,788	782,744	610,204
Operation of Non- Instructional Services:				
Food Service Operations	851,493	29,085	890,163	62,222
Other Non-Instructional Services	450,026	333,645	417,769	307,424
Interest and Fiscal Charges	773,956	773,956	792,995	792,995
<i>Total Expenses</i>	<u>\$21,468,105</u>	<u>\$17,203,182</u>	<u>\$22,295,199</u>	<u>\$18,361,080</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 2012. This amount is slightly less than 2011 due to an increase a small increase in program revenues. The community, as a whole, is by far the primary support for Hubbard Exempted Village School District.

# Hubbard Exempted Village School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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## Financial Analysis of the Government's Funds

**Governmental Fund.** Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The general fund had a slight increase in fund balance from the prior fiscal year. This can be attributed to decreases in School Foundation revenues from the State of Ohio which was offset by decreases in expenditures due to cost cutting measures. The net change in fund balance for the fiscal year was most significant in the classroom facilities capital projects fund which decreased due to the continued construction of the new school facilities and a decrease in interest revenue.

### **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 2012 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 lower than the original budget estimate. The difference can be attributed to the decrease in property tax and intergovernmental revenues. These amounts decreased due to the drop in assessed values and enrollment. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue slightly exceeded final budget basis revenue due to an unexpected increase in miscellaneous revenue. The difference between the original budget appropriations and the final amended budget appropriations of the general fund increased due to increases in instruction estimates. The School District's final budgeted appropriations were nearly the same as actual expenditures, with only a small difference.

## Capital Assets and Long-term Liabilities

**Capital Assets.** Table 4 shows fiscal year 2012 balances compared to fiscal year 2011.

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

	<u>2012</u>	<u>2011</u>
Land	\$462,720	\$462,720
Construction in Progress	19,303,952	20,580,634
Land Improvements	1,883,776	1,030,141
Buildings and Improvements	31,569,233	21,540,932
Furniture and Fixtures	490,789	500,141
Vehicles	421,188	475,060
Total	<u>\$54,131,658</u>	<u>\$44,589,628</u>

## Hubbard Exempted Village School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

The increase in capital assets can be attributed to several additions made during fiscal year 2012. While the School District acquired new food service equipment, the old elementary school and food service equipment were disposed of. The School District also continued the construction of the new school buildings which resulted in the increase in construction in progress, land improvements and buildings and improvements. The new elementary school was completed during fiscal year 2012. The new middle school and administrative building will be completed during fiscal year 2013. Additional information on the School District's capital assets can be found in note 11 of the basic financial statements.

**Long-term Liabilities** At June 30, 2012, the School District had decreased its outstanding long-term obligation. This decrease is primarily the result of another year of principal payments on all debt issues.

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

	Governmental Activities	
	2012	2011
Classroom Facilities Bonds	\$17,266,193	\$17,640,655
Compensated Absences	847,122	1,062,164
Totals	<u>\$18,113,315</u>	<u>\$18,702,819</u>

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

As of June 30, 2012, the School District's overall legal debt margin was \$1,912,035 with an unvoted debt margin of \$202,734. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 12 within the Notes to the Basic Financial Statements for further information on debt.

### Current Financial Related Activities

The School District has continued to maintain its high standards of service to students, parents and the community. We are continually pressed with challenges and opportunities that compel us to remain proactive in our efforts to provide children with a quality education in an environment that is conducive to learning. Current events, the economy 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 2017. The forecast indicates a surplus through 2014 and a deficit in 2015.

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.

## **Hubbard Exempted Village School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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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. The 2011 – 2012 school year will be the sixth year in a row that the School District has been designated as excellent by the Ohio Department of Education.

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

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

# Hubbard Exempted Village School District

## Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,755,934
Accrued Interest Receivable	4,492
Accounts Receivable	1,093
Intergovernmental Receivable	427,818
Inventory Held for Resale	3,864
Taxes Receivable	8,462,503
Deferred Charges	172,347
Nondepreciable Capital Assets	19,766,672
Depreciable Capital Assets, Net	<u>34,364,986</u>
<i>Total Assets</i>	<u>76,959,709</u>
<b>Liabilities</b>	
Accounts Payable	49,921
Accrued Wages	1,483,621
Contracts Payable	975,609
Intergovernmental Payable	424,551
Matured Compensated Absences Payable	113,768
Accrued Interest Payable	62,452
Deferred Revenue	6,968,604
Vacation Benefits Payable	30,413
Long-Term Liabilities:	
Due Within One Year	616,792
Due in More Than One Year	<u>17,496,523</u>
<i>Total Liabilities</i>	<u>28,222,254</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	36,649,863
Restricted for:	
Capital Projects	7,855,632
Debt Service	28,948
Unclaimed Monies	28,716
Other Purposes	987,105
Unrestricted	<u>3,187,191</u>
<i>Total Net Assets</i>	<u><u>\$48,737,455</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, 2012

	Program Revenues				Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$9,758,311	\$579,740	\$859,690	\$452,455	(\$7,866,426)
Special	1,555,745	89,340	298,629	0	(1,167,776)
Vocational	341,353	23,980	0	0	(317,373)
Support Services:					
Pupils	1,054,435	61,330	185,528	0	(807,577)
Instructional Staff	813,794	60,109	17,358	0	(736,327)
Board of Education	14,994	1,053	0	0	(13,941)
Administration	1,570,436	101,429	125,594	0	(1,343,413)
Fiscal	531,560	35,350	59,598	0	(436,612)
Business	25,178	1,769	0	0	(23,409)
Operation and Maintenance of Plant	1,780,532	121,163	0	0	(1,659,369)
Pupil Transportation	961,352	63,321	8,445	0	(889,586)
Central	307,313	21,014	5,400	0	(280,899)
Extracurricular Activities	677,627	146,744	7,095	0	(523,788)
Operation of Non-Instructional Services					
Food Service Operations	851,493	367,820	454,588	0	(29,085)
Other Non-Instructional Services	450,026	22,465	93,916	0	(333,645)
Interest and Fiscal Charges	773,956	0	0	0	(773,956)
<b>Totals</b>	<b>\$21,468,105</b>	<b>\$1,696,627</b>	<b>\$2,115,841</b>	<b>452,455</b>	<b>(17,203,182)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	5,759,119
Debt Service	1,014,351
Classroom Facilities	88,251
Grants and Entitlements not Restricted to Specific Programs	10,103,626
Investment Earnings	170,711
Miscellaneous	626,392
<b>Total General Revenues</b>	<b>17,762,450</b>
Change in Net Assets	559,268
<i>Net Assets Beginning of Year</i>	<u>48,178,187</u>
<i>Net Assets End of Year</i>	<u><u>\$48,737,455</u></u>

See accompanying notes to the basic financial statements



**Hubbard Exempted Village School District**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,557,480	\$7,101,337	\$2,001,506	\$13,660,323
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	95,611	0	0	95,611
Receivables:				
Property Taxes	7,387,930	0	1,074,573	8,462,503
Accounts	1,093	0	0	1,093
Intergovernmental	0	0	427,818	427,818
Interfund Receivable	151,223	0	0	151,223
Accrued Interest Receivable	4,492	0	0	4,492
Inventory Held for Resale	0	0	3,864	3,864
<i>Total Assets</i>	<u>\$12,197,829</u>	<u>\$7,101,337</u>	<u>\$3,507,761</u>	<u>\$22,806,927</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$38,048	\$0	\$11,873	\$49,921
Accrued Wages	1,298,803	0	184,818	1,483,621
Contracts Payable	0	595,290	380,319	975,609
Intergovernmental Payable	377,133	0	47,418	424,551
Interfund Payable	0	0	151,223	151,223
Deferred Revenue	7,364,522	0	1,379,927	8,744,449
Matured Compensated Absences Payable	113,768	0	0	113,768
<i>Total Liabilities</i>	<u>9,192,274</u>	<u>595,290</u>	<u>2,155,578</u>	<u>11,943,142</u>
<b>Fund Balances:</b>				
Nonspendable	28,716	0	0	28,716
Restricted	0	6,506,047	1,468,869	7,974,916
Committed	66,895	0	69,950	136,845
Assigned	25,618	0	0	25,618
Unassigned (Deficit)	2,884,326	0	(186,636)	2,697,690
<i>Total Fund Balances</i>	<u>3,005,555</u>	<u>6,506,047</u>	<u>1,352,183</u>	<u>10,863,785</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,197,829</u>	<u>\$7,101,337</u>	<u>\$3,507,761</u>	<u>\$22,806,927</u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Funds Balances</b>	\$10,863,785
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,131,658
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	1,466,334
Grants	<u>309,511</u>
Total	1,775,845
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	172,347
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(62,452)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(30,413)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Classroom Facilities Bonds	(16,809,903)
Bond Premium	(456,290)
Compensated Absences	<u>(847,122)</u>
Total	<u>(18,113,315)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$48,737,455</u></u>

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, 2012*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$5,641,671	\$0	\$1,066,548	\$6,708,219
Intergovernmental	9,922,248	435,567	2,211,155	12,568,970
Interest	34,145	0	139,074	173,219
Charges for Services	5,020	0	367,820	372,840
Tuition and Fees	1,155,722	0	0	1,155,722
Extracurricular Activities	0	0	116,725	116,725
Rentals	51,340	0	0	51,340
Contributions and Donations	68,242	0	27,962	96,204
Miscellaneous	606,837	0	19,555	626,392
<i>Total Revenues</i>	<u>17,485,225</u>	<u>435,567</u>	<u>3,948,839</u>	<u>21,869,631</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,398,711	0	844,021	9,242,732
Special	1,294,193	0	310,255	1,604,448
Vocational	382,201	0	0	382,201
Support Services:				
Pupils	903,355	0	132,233	1,035,588
Instructional Staff	864,084	0	19,064	883,148
Board of Education	14,994	0	0	14,994
Administration	1,395,545	0	124,127	1,519,672
Fiscal	503,057	0	21,251	524,308
Business	29,140	0	0	29,140
Operation and Maintenance of Plant	1,727,763	0	0	1,727,763
Pupil Transportation	895,773	0	8,219	903,992
Central	298,971	0	103,751	402,722
Extracurricular Activities	427,221	0	125,420	552,641
Operation of Non-Instructional Services:				
Food Service Operations	0	0	866,582	866,582
Other Non-Instructional Services	318,907	0	121,519	440,426
Capital Outlay	0	8,911,861	1,399,649	10,311,510
Debt Service:				
Principal Retirement	0	0	385,000	385,000
Interest and Fiscal Charges	0	0	757,125	757,125
<i>Total Expenditures</i>	<u>17,453,915</u>	<u>8,911,861</u>	<u>5,218,216</u>	<u>31,583,992</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>31,310</u>	<u>(8,476,294)</u>	<u>(1,269,377)</u>	<u>(9,714,361)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	1,432,278	1,432,278
Transfers Out	(28,117)	(1,404,161)	0	(1,432,278)
<i>Total Other Financing Sources (Uses)</i>	<u>(28,117)</u>	<u>(1,404,161)</u>	<u>1,432,278</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	3,193	(9,880,455)	162,901	(9,714,361)
<i>Fund Balances Beginning of Year</i>	<u>3,002,362</u>	<u>16,386,502</u>	<u>1,189,282</u>	<u>20,578,146</u>
<i>Fund Balances End of Year</i>	<u>\$3,005,555</u>	<u>\$6,506,047</u>	<u>\$1,352,183</u>	<u>\$10,863,785</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, 2012*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>(\$9,714,361)</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Outlay	11,695,253
Depreciation	<u>(2,015,041)</u>
Total	9,680,212
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.	
	(138,182)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	153,502
Grants	<u>4,240</u>
Total	157,742
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	385,000
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	1,283
Amortization of Accretion	(30,594)
Amortization of Issuance Costs	(7,576)
Amortization of Bond Premium	<u>20,056</u>
Total	(16,831)
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	215,042
Vacation Benefits Payable	<u>(9,354)</u>
Total	<u>205,688</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$559,268</u></u>

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, 2012*

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$5,820,852	\$5,640,662	\$5,640,662	\$0
Intergovernmental	10,239,212	9,922,248	9,922,248	0
Interest	34,362	33,298	33,298	0
Tuition and Fees	1,176,959	1,140,525	1,140,525	0
Rentals	53,007	51,366	51,366	0
Contributions and Donations	35,275	34,183	34,183	0
Miscellaneous	506,622	520,704	611,241	90,537
<i>Total Revenues</i>	<u>17,866,289</u>	<u>17,342,986</u>	<u>17,433,523</u>	<u>90,537</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,939,532	8,565,043	8,620,213	(55,170)
Special	1,196,319	1,290,556	1,290,556	0
Vocational	323,676	349,173	349,173	0
Support Services:				
Pupils	828,393	893,648	893,648	0
Instructional Staff	800,766	863,844	863,844	0
Board of Education	11,054	11,925	11,925	0
Administration	1,283,097	1,384,169	1,384,169	0
Fiscal	463,660	499,624	499,624	0
Business	27,349	29,503	29,503	0
Operation and Maintenance of Plant	1,614,718	1,741,913	1,741,913	0
Pupil Transportation	853,390	920,613	920,613	0
Central	269,146	290,347	290,347	0
Extracurricular Activities	371,900	401,196	401,196	0
Operation of Non-Instructional Services:				
Other Non-Instructional Services	305,922	330,021	330,021	0
<i>Total Expenditures</i>	<u>16,288,922</u>	<u>17,571,575</u>	<u>17,626,745</u>	<u>(55,170)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,577,367</u>	<u>(228,589)</u>	<u>(193,222)</u>	<u>35,367</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	111,900	111,900	111,900	0
Advances Out	0	0	(11,223)	(11,223)
Transfers Out	(28,117)	(28,117)	(28,117)	0
<i>Total Other Financing Sources (Uses)</i>	<u>83,783</u>	<u>83,783</u>	<u>72,560</u>	<u>(11,223)</u>
<i>Net Change in Fund Balance</i>	1,661,150	(144,806)	(120,662)	24,144
<i>Fund Balance Beginning of Year</i>	4,646,073	4,646,073	4,646,073	0
Prior Year Encumbrances Appropriated	77,901	77,901	77,901	0
<i>Fund Balance End of Year</i>	<u>\$6,385,124</u>	<u>\$4,579,168</u>	<u>\$4,603,312</u>	<u>\$24,144</u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2012*

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**Assets**

Equity in Pooled Cash and Cash Equivalents

\$114,408

**Liabilities**

Due to Students

\$114,408

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, 2012*

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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 236<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 and individual instructional facilities staffed by 91 classified employees, 128 certified employees and 14 administrators who provide services to 2,038 students in grades K through 12 and other community members.

#### *Reporting Entity*

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

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

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

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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

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

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

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

***Fund Financial Statements*** During the 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.



## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

**General Fund** The general fund is the operating fund of the School District and is used to account 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.

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

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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.

### **Measurement Focus**

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

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

### **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 revenue and in the presentation of expenses versus expenditures.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

### ***Budgetary Data***

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

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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.

### ***Cash and Cash Equivalents***

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

During fiscal year 2012, 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 classroom facilities maintenance special revenue fund during fiscal year 2012 amounted to \$136,566, of which \$127,550 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 21 for additional information regarding set asides.

### ***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 assets but are not reported in the fund financial statements.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

***Interfund Balances***

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

***Compensated Absences***

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

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

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

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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### ***Accrued Liabilities and Long-term Obligations***

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

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

### ***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 a 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 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. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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***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 Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for grants, auxiliary services and extracurricular activities.

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

### ***Bond Issuance Costs***

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

### ***Bond Premiums***

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

### ***Extraordinary and Special Items***

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

### ***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.



## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### Note 3 – Change in Accounting Principles

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 59, “Financial Instrument Omnibus”. GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

### Note 4 – 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	Classroom Facilities	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Unclaimed Funds	\$28,716	\$0	\$0	\$28,716
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	1,273	1,273
Athletics	0	0	20,362	20,362
Classroom Facilities Maintenance	0	0	716,304	716,304
Auxiliary Services	0	0	2,381	2,381
Technology Improvements	0	0	7,457	7,457
Student Instruction	0	0	2,147	2,147
Remedial Reading	0	0	440	440
Debt Service Payments	0	0	344,529	344,529
Capital Improvements	0	6,506,047	373,976	6,880,023
<i>Total Restricted</i>	0	6,506,047	1,468,869	7,974,916
<b><i>Committed to</i></b>				
Budget Stabilization	66,895	0	0	66,895
College Scholarships	0	0	69,950	69,950
<i>Total Committed</i>	66,895	0	69,950	136,845
<b><i>Assigned to</i></b>				
Other Purposes	25,618	0	0	25,618
<b>Unassigned (Deficit)</b>	2,884,326	0	(186,636)	2,697,690
<b>Total Fund Balance</b>	<b>\$3,005,555</b>	<b>\$6,506,047</b>	<b>\$1,352,183</b>	<b>\$10,863,785</b>

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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

Net Change in Fund Balance	
GAAP Basis	\$3,193
Net Adjustment for Revenue Accruals	(48,859)
Advances In	111,900
Beginning Fair Value Adjustment for Investments	63,530
Net Adjustment for Expenditure Accruals	(208,748)
Excess of Revenues (Over) Under Expenditures	
Uniform School Supply	4,147
Public School Support	(13,252)
Advances Out	(11,223)
Encumbrances	(21,350)
Budget Basis	<u><u>(\$120,662)</u></u>

### Note 6 – Compliance and Accountability

#### Compliance

The general fund had expenditures plus encumbrances in excess of appropriations in the amount of \$55,170 contrary to section 5705.41(B) and (C), Ohio Revised Code. Although this violation was not corrected by fiscal year-end, management has indicated that appropriations will be closely monitored to ensure no future violations.



## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Accountability**

Fund balances at June 30, 2012, included the following individual fund deficits:

<b>Special Revenue Funds</b>	
Education Jobs	\$17,553
Race to the Top	242
Title VI-B	16,893
Title I	12,344
Title II-A	3,154
<b>Capital Projects Fund</b>	
Permanent Improvement	136,450

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 7 - 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, 2012

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) above,
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.

### Deposits

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$498,367 of the School District's bank balance of \$9,007,635 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

### Investments

As of June 30, 2012, the School District had the following investments:

	Fair Value	Maturity	Moody Rating	Percent of Total Investments
Repurchase Agreements	\$1,314,976	Less than one year	Aaa	46.60 %
Invesco Short-term Investments Trust Government & Agency Mutual Funds	<u>1,506,738</u>	Less than one year	Aaa	53.40
Total Portfolio	<u><u>\$2,821,714</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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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 8 – Property Taxes**

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

Property taxes include amounts levied against all real and public property located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is 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, 2012, are available to finance fiscal year 2012 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, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$23,408 in the general fund, \$3,819 in the bond retirement fund and \$338 in the classroom facilities fund. The amount available as an advance at June 30, 2011 was \$22,399 in the general fund and \$3,364 in the bond retirement fund and \$313 in the classroom facilities fund.

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$208,208,900	97.74%	\$197,111,210	97.23%
Public Utility Personal	4,803,620	2.26	5,622,560	2.77
Total	<u>\$213,012,520</u>	<u>100.00%</u>	<u>\$202,733,770</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$58.85		\$59.10	

### Note 9 - Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for property taxes are expected to be collected 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:

Intergovernmental Receivables	Amounts
Title I	\$225,053
Education Jobs	98,935
Title VI-B	87,848
Improving Teacher Quality	15,952
Title II-D	30
Total	<u>\$427,818</u>

### Note 10 - Interfund Transfers and Balances

#### *Interfund Transfers*

The general fund transferred \$28,117 to the district managed student activity special revenue fund to help fund athletic events.

The classroom facilities capital projects fund transferred \$1,404,161 to the building capital projects fund to help cover associated with the construction project.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

### ***Interfund Balances***

Interfund balances at June 30, 2012, consist of an interfund receivable/payable between the general fund and the permanent improvement capital projects fund in the amount of \$140,000. This loan, used to supplement prior year lease purchase proceeds, is expected to be repaid over the next three years. Other interfund balances consist of interfund receivable/payable between the general fund and the title VI-B and title I special revenue funds in the amounts of \$8,690 and \$2,533 respectively. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

### **Note 11 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Nondepreciable Capital Assets</b>				
Land	\$462,720	\$0	\$0	\$462,720
Construction in Progress	20,580,634	11,478,943	(12,755,625)	19,303,952
<i>Total Nondepreciable Capital Assets</i>	<u>21,043,354</u>	<u>11,478,943</u>	<u>(12,755,625)</u>	<u>19,766,672</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,927,504	994,692	(43,548)	2,878,648
Buildings and Improvements	27,282,039	11,760,933	(1,778,030)	37,264,942
Furniture and Fixtures	1,311,552	184,330	(53,021)	1,442,861
Vehicles	1,662,400	31,980	0	1,694,380
<i>Total at Historical Cost</i>	<u>32,183,495</u>	<u>12,971,935</u>	<u>(1,874,599)</u>	<u>43,280,831</u>
Less: Accumulated Depreciation				
Land Improvements	(897,363)	(141,057)	43,548	(994,872)
Buildings and Improvements	(5,741,107)	(1,594,450)	1,639,848	(5,695,709)
Furniture and Fixtures	(811,411)	(193,682)	53,021	(952,072)
Vehicles	(1,187,340)	(85,852)	0	(1,273,192)
<i>Total Accumulated Depreciation</i>	<u>(8,637,221)</u>	<u>(2,015,041) *</u>	<u>1,736,417</u>	<u>(8,915,845)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>23,546,274</u>	<u>10,956,894</u>	<u>(138,182)</u>	<u>34,364,986</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$44,589,628</u>	<u>\$22,435,837</u>	<u>(\$12,893,807)</u>	<u>\$54,131,658</u>

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

Instruction	
Regular	\$1,645,143
Support Services	
Pupils	2,071
Instructional Staff	87,601
Administration	1,510
Operation and Maintenance of Plant	55,772
Pupil Transportation	83,744
Central	2,779
Extracurricular Activities	124,387
Operation of Non-Instructional Services:	
Food Service Operations	2,618
Other Non-Instructional Services	9,416
Total Depreciation Expense	\$2,015,041

### Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding June 30, 2011	Additions	Deductions	Principal Outstanding June 30, 2012	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2007 Classroom Facilities Improvement Bonds					
Current Interest Serial Bonds 3.6 - 4.00 %	\$3,475,000	\$0	(\$385,000)	\$3,090,000	\$405,000
Capital Appreciation Bonds 4.10 %	203,533	0	0	203,533	0
Accretion on Capital Appreciation Bonds	100,776	30,594	0	131,370	0
Current Interest Term Bonds 4.25 - 5.00 %	13,385,000	0	0	13,385,000	0
Premium on Bonds	476,346	0	(20,056)	456,290	0
<i>Total General Obligation Bonds</i>	17,640,655	30,594	(405,056)	17,266,193	405,000
<b>Other Long-term Obligations</b>					
Compensated Absences	1,062,164	50,499	(265,541)	847,122	211,792
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$18,702,819	\$81,093	(\$670,597)	\$18,113,315	\$616,792

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

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

The maturity amount of outstanding capital appreciation bonds is \$515,000. The accretion recorded for fiscal year 2012 was \$30,594, for a total outstanding bond liability of \$334,903 at June 30, 2012.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

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

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

The overall debt margin of the School District as of June 30, 2012 was \$1,912,035 with an unvoted debt margin of \$202,734. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds - Classroom Facilities Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$405,000	\$741,325	\$0	\$0	\$0	\$0
2014	415,000	724,925	0	0	0	0
2015	440,000	707,825	0	0	0	0
2016	465,000	689,725	0	0	0	0
2017	0	0	203,533	991,891	0	0
2018 - 2022	1,365,000	1,964,975	0	0	1,175,000	1,193,775
2023 - 2027	0	0	0	0	3,525,000	2,430,856
2028 - 2032	0	0	0	0	4,795,000	1,552,232
2033 - 2037	0	0	0	0	3,890,000	300,500
<b>Total</b>	<b>\$3,090,000</b>	<b>\$4,828,775</b>	<b>\$203,533</b>	<b>\$991,891</b>	<b>\$13,385,000</b>	<b>\$5,477,363</b>



## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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### Note 13 - 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 2012, 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)	\$65,896,218
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 2012, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control, and actuarial services to the GRP.

### Note 14 - Jointly Governed Organizations

*North Eastern Ohio Management Information Network (NEOMIN)* NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$35,582 to NEOMIN during fiscal year 2012.

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



## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

### **Note 15 – Related Organization**

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

### **Note 16 - Insurance Purchasing Pool**

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

### **Note 17 – Defined Benefit Pension Plans**

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

**Plan Description** – The School District participates in 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 the 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 advice 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, 2012, the allocation to pension and death benefits was 12.70 percent. The

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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remaining 1.30 percent of the 14 percent employer contribution 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, 2012, 2011 and 2010 were \$333,314, \$312,726 and \$331,641, respectively. For fiscal year 2012, 99.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011 and 2010.

### ***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 can 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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 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 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 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 \$1,091,077 and \$38,498 for the fiscal year ended June 30, 2012, \$1,143,877 and \$38,498 for the fiscal year ended June 30, 2011, and \$1,103,069 and \$38,498 for the fiscal year ended June 30, 2010. For fiscal year 2012, 86.35 percent has been contributed for the DB plan and 86.35 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2011 and 2010.

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 was \$4,645 made by the School District and \$3,318 made by the plan members. In addition, member contributions of \$27,499 were made for fiscal year 2012 for the defined portion of the Combined Plan.

### **Note 18 – 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 2011, .55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$40,677 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.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$66,925, \$77,009 and \$58,237 respectively. For fiscal year 2012, 99.25 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 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$19,684, \$20,125 and \$19,722 respectively. For fiscal year 2012, 99.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

#### ***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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$85,174, \$90,952 and \$87,813 respectively. For fiscal year 2012, 86.35 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

### Note 19 - 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 80 days for classified employees and 100 days for certified employees.

#### *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.

Premiums By Plan Type	Single	Employee and Spouse	Employee and Child(ren)	Family
Medical Plan	\$530.37	\$1,113.77	\$1,007.70	\$1,591.11
Dental Plan	30.36	52.68	65.20	26.70
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 6 percent of health and dental and receive vision at 100 percent employer paid.

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### Note 20 - Contingencies

#### Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

#### B. Litigation

As of June 30, 2012, the School District was not party to any legal proceedings.

### Note 21 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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, 2012, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the change in the fiscal year end set aside amounts for 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, 2011	\$0	\$66,895
Prior Year Carryover	(17,063,533)	0
Current Year Set-aside Requirement	360,786	0
Qualifying Disbursements	0	0
Total	<u>(\$16,702,747)</u>	<u>\$66,895</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$16,678,533)</u>	<u>\$66,895</u>
Set-aside Reserve Balance as of June 30, 2012	<u>\$0</u>	<u>\$66,895</u>

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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 22 – Contractual Commitments

At June 30, 2012, the School District's significant contractual commitments consisted of:

Company	Contract Amount	Amount Paid	Remaining on Contract
<i>Hubbard K-12</i>			
Hudson Group	\$14,746,586	\$13,761,072	\$985,514
York Mahoning Mechanical	5,658,810	5,598,680	60,130
Villano Construction	5,478,653	5,364,436	114,217
WT Leone's Tri-Area Electric	4,517,981	4,233,900	284,081
Roth Brothers	2,387,098	2,336,301	50,797
The Conti Corporation	2,173,113	2,159,819	13,294
Continental Office Environments	2,011,778	1,243,344	768,434
Zenith Systems	1,383,759	1,231,957	151,802
Miller Yount Paving (31A)	1,250,927	1,250,927	0
Miller Yount Paving (32A)	1,222,000	0	1,222,000
Stonecreek Interior Systems	883,782	871,498	12,284
Mid West Telephone Systems	629,502	530,121	99,381
Fire Foe Corporation	506,335	416,895	89,440
Breckenridge Kitchen Group	494,541	348,537	146,004
Ellet Neon Sales & Service	61,506	51,122	10,384
Total	<u>\$43,406,371</u>	<u>\$39,398,609</u>	<u>\$4,007,762</u>



HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	2012	10.553	\$51,136		\$51,136	
National School Lunch Program	2012	10.555	343,052	\$ 86,106	344,386	\$ 86,106
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>394,188</u>	<u>86,106</u>	<u>395,522</u>	<u>86,106</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A Cluster						
Title I Grants to Local Educational Agencies	2011	84.010	37,104		41,843	
Title I Grants to Local Educational Agencies	2012	84.010	376,711		376,134	
Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	20,927		22,540	
<i>Total Title I Grants to Local Educational Agencies</i>			<u>434,742</u>		<u>440,517</u>	
Special Education Cluster (IDEA)						
Special Education Grants to States	2011	84.027	88,755		89,105	
Special Education Grants to States	2012	84.027	316,489		319,663	
Special Education Grants to States, Recovery Act	2011	84.931	37,678		42,354	
<i>Total Special Education Grants to States</i>			<u>442,922</u>		<u>451,122</u>	
Education Jobs Funds	2012	84.410	450,602		450,602	
Race to the Top, Recovery Act	2012	84.395	1,050		1,050	
Education Technology State Grants Title II, Part D	2011	84.318	(352)		0	
Education Technology State Grants Title II, Part D	2012	84.318	3,168		3,168	
<i>Total Education Technology State Grants</i>			<u>2,816</u>		<u>3,168</u>	
Improving Teacher Quality State Grants Title II, Part A						
Improving Teacher Quality State Grants	2011	84.340	12,497		13,532	
Improving Teacher Quality State Grants	2012	84.340	67,502		67,502	
<i>Total Improving Teacher Quality State Grants</i>			<u>79,999</u>		<u>81,034</u>	
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	2011	84.394	0		187,210	
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,412,131</u>		<u>1,614,703</u>	
<b>TOTALS</b>			<u><b>\$1,806,319</b></u>	<u><b>\$86,106</b></u>	<u><b>\$2,010,225</b></u>	<u><b>\$86,106</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 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Hubbard Exempted Village School District (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 fair 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 ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 4, 2013.

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

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

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

**Dave Yost**  
Auditor of State

March 4, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Hubbard Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Hubbard Exempted Village School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Hubbard Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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

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

**Dave Yost**  
Auditor of State

March 4, 2013

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> Education Jobs State Fiscal Stabilization Funds Special Education Cluster	CFDA 84.410 CFDA 84.394 CFDAs 84.027 & 84.931
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**Cash Reconciliation**

<i>Finding Number</i>	2012-001
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**MATERIAL WEAKNESS**

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

During fiscal year 2012 the District closed out its books each month; however, they did not properly reconcile their fund balances to their bank balances. Any unreconciled balances were adjusted to the system before year-end.

The District hired an outside individual to aid them in getting their accounting system reconciled with their bank balances.

Unreconciled bank to book balances, in addition to uncorrected reconciling items, and lack of review can potentially lead to misstated book balances and could lead to possible theft or errors without the timely detection by management.

We recommend the District take steps to ensure all accounts are reconciled on a monthly basis and any future unreconciled variances are investigated and corrected in a timely manner. The District should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by the Board of Trustees. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

**Official's Response:**

An attempt to reconcile is made every month prior to closing. The Treasurer sometimes spends two to three days in an attempt to reconcile. The time used to attempt to reconcile sometimes exceeds two days, which causes the Treasurer's office to delay in everyday business operations. The Treasurer plans to take a strategic approach to this still occurring problem by limiting transactions performed within a one-month period, hoping to pinpoint the issue.

**FINDING NUMBER - 2012-001**  
**(Continued)**

**Auditor of States Conclusion:**

We agree the Treasurer has primary responsibility for this requirement; however, management is responsible for the District's compliance with applicable laws and regulations. This responsibility includes maintaining accurate and complete records. Management should determine how the District will prevent recurrences of this issue.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	1512 Reporting	yes	Finding No Longer Valid
2011-002	Cash Management-A133 Noncompliance	yes	Finding No Longer Valid

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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  
APRIL 9, 2013