



Mary Taylor, CPA
Auditor of State

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

October 31, 2008

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

As management of the Hubbard Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- For governmental activities, net assets increased \$39,885,396, which represents a 595.99 percent increase from 2006.
- General revenues accounted for \$58,338,919 in revenue or 96.04 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,406,224 or 3.96 percent of total governmental revenues of \$60,745,143.
- The School District had \$20,859,747 in expenses related to governmental activities; only \$2,406,224 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and intergovernmental) of \$58,338,919 were adequate to provide for these programs.
- The general fund had \$18,171,431 in revenues and \$17,234,372 in expenditures. The general fund's fund balance increased to \$4,086,366 from \$3,628,783.
- The classroom facilities capital projects fund had \$19,333,273 in revenue and other financing sources and \$522,022 in expenditures, which resulted in an increase of the fund balance to \$18,811,251.

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, 2007
Unaudited*

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

The basic fund financial statements can be found on pages 14-17 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 19 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-45 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 2007 compared to 2006.

Assets exceeded liabilities by \$46,577,652 at the close of the most recent fiscal year for the School District.

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

(Table 1)
Net Assets
Governmental Activities

	2007	2006	Change
Assets			
Current and Other Assets	\$74,123,502	\$13,879,053	\$60,244,449
Capital Assets, Net	4,856,422	4,972,010	(115,588)
<i>Total Assets</i>	<u>78,979,924</u>	<u>18,851,063</u>	<u>60,128,861</u>
Liabilities			
Current Liabilities	10,630,478	9,338,318	1,292,160
Long-Term Liabilities			
Due within One Year	1,448,988	710,739	738,249
Due in More than One Year	20,322,806	2,109,750	18,213,056
<i>Total Liabilities</i>	<u>32,402,272</u>	<u>12,158,807</u>	<u>20,243,465</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,872,619	3,693,434	179,185
Restricted for:			
Capital Projects	38,545,811	23,936	38,521,875
Debt Service	124,625	110,963	13,662
Set Asides	332,760	708,745	(375,985)
Other Purposes	338,145	875,088	(536,943)
Unrestricted	3,363,692	1,280,090	2,083,602
<i>Total Net Assets</i>	<u>\$46,577,652</u>	<u>\$6,692,256</u>	<u>\$39,885,396</u>

Current assets increased \$60,244,449. This increase, coupled with a decrease in capital assets of \$115,588, resulted in a total increase in assets of \$60,128,861. The decrease in capital assets was due to the School District purchasing \$366,096 in furniture, fixtures and equipment and vehicles offset by the annual depreciation. Total intergovernmental receivables and cash of the School District increased due to the School District receiving an Ohio School Facilities grant and having unspent classroom facilities bond proceeds.

Total liabilities increased \$20,243,465 or 166.49 percent mainly due to the School District issuing classroom facilities bonds.

7.22 percent of the School District's net assets reflects its unrestricted net assets. It may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the School District's net assets (84.46 percent) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net assets (\$3,872,619) 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, 2007
Unaudited*

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006.

(Table 2)
Change in Net Assets
Governmental Activities

	2007	2006	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$774,461	\$1,310,549	(\$536,088)
Operating Grants, Interest and Contributions	1,524,063	1,729,326	(205,263)
Capital Grants, Interest and Contributions	107,700	115,507	(7,807)
<i>Total Program Revenues</i>	2,406,224	3,155,382	(749,158)
<i>General Revenues</i>			
Property Taxes	7,526,196	5,920,522	1,605,674
Grants and Entitlements not Restricted	49,919,415	10,171,730	39,747,685
Investment Earnings	674,926	150,485	524,441
Gain on Sale of Capital Assets	1,514	0	1,514
Miscellaneous	216,868	150,153	66,715
<i>Total General Revenues</i>	58,338,919	16,392,890	41,946,029
<i>Total Revenues</i>	60,745,143	19,548,272	41,196,871
Program Expenses			
Current:			
Instruction:			
Regular	8,778,064	8,401,346	376,718
Special	1,964,836	1,722,999	241,837
Vocational	337,503	299,196	38,307
Support Services:			
Pupils	1,005,484	860,906	144,578
Instructional Staff	759,420	733,418	26,002
Board of Education	23,525	57,731	(34,206)
Administration	1,532,327	1,318,041	214,286
Fiscal	544,326	420,838	123,488
Business	37,717	42,159	(4,442)
Operation and Maintenance of Plant	1,906,574	1,986,807	(80,233)
Pupil Transportation	1,121,037	1,134,901	(13,864)
Central	349,917	121,341	228,576
Extracurricular Activities	701,424	741,283	(39,859)
Operation of Non-Instructional Services:			
Food Service Operations	805,548	708,977	96,571
Other Non-Instructional Services	392,370	407,093	(14,723)
Interest and Fiscal Charges	599,675	105,051	494,624
<i>Total Program Expenses</i>	20,859,747	19,062,087	1,797,660
<i>Increase in Net Assets</i>	39,885,396	486,185	39,399,211
Net Assets Beginning of Year	6,692,256	6,206,071	486,185
<i>Net Assets End of Year</i>	\$46,577,652	\$6,692,256	\$39,885,396

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

Governmental activities increased the School District's net assets by \$39,885,396. Key elements of this increase are as follows:

- Total revenues increased by 210.74 percent or \$41,196,871. Program expenses increased by 9.43 percent or \$1,797,660.
- The grants and entitlements increased significantly in fiscal year 2007 by \$39,747,685. An Ohio Schools Facilities grant was the reason for this increase.
- Interest revenue also increased during the current fiscal year, which accounted for \$674,926 in total. The rise of interest rates along with having additional cash to invest resulted in a better return on investments.
- Program revenues decreased \$749,158 or 23.74 percent. Operating grants, interest and contributions decreased \$205,263 or 11.87 percent due to decreased funding from the Federal and State governments in the current fiscal year.

There was an increase in overall expenses of \$1,797,660 in comparison to the prior fiscal year that was the result of increases in salaries and benefits for employees coupled with elevated interest and fiscal charges associated with the issuance of the classroom facilities bonds.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2007 compared to 2006.

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

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$11,080,403	\$10,131,397	\$10,423,541	\$8,959,437
Support Services:				
Pupils and Instructional Staff	1,764,904	1,665,749	1,594,324	1,462,214
Board of Education, Administration, Fiscal and Business	2,137,895	2,097,885	1,838,769	1,698,098
Operation and Maintenance of Plant	1,906,574	1,891,914	1,986,807	1,826,355
Pupil Transportation	1,121,037	934,667	1,134,901	832,658
Central	349,917	339,287	121,341	112,341
Extracurricular Activities	701,424	523,411	741,283	583,619
Operation of Non- Instructional Services:				
Food Service Operations	805,548	3,524	708,977	(13,668)
Other Non-Instructional Services	392,370	266,014	407,093	340,600
Interest and Fiscal Charges	599,675	599,675	105,051	105,051
<i>Total Expenses</i>	<u>\$20,859,747</u>	<u>\$18,453,523</u>	<u>\$19,062,087</u>	<u>\$15,906,705</u>

Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 12.39 percent and grants and entitlements account for 82.18 percent of the total revenues in fiscal year 2007. 91.44 percent of instructional activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 88.46 percent of total governmental expenditures.

Financial Analysis of the Government's Funds

Governmental Fund. Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,411,634 and expenditures of \$21,008,532. The total governmental fund balance increased \$20,564,737. The net change in the governmental fund balance for the year was most significant in the classroom facilities capital projects fund, where the net assets increased by \$18,811,251 for fiscal year 2007.

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

- The general fund revenues increased by \$402,911 compared to the previous year. Most of this increase could be traced to an increase in intergovernmental revenue. The general fund expenditures and other financing uses also increased by \$515,489 compared to the prior fiscal year. The largest part of this increase in expenditures is due to increased instruction and administration expenditures which are directly attributable to the functioning of the School District. Since the School District spent less than it brought in, it resulted in a general fund net change in fund balance of \$457,583.
- The classroom facilities capital projects fund brought in \$19,333,273 of revenue and other financing sources during the current fiscal year. An Ohio Schools Facilities grant was received for the School District to begin construction of new school buildings. Proceeds of classroom facilities bonds were also issued for the School District's portion of the project. \$522,022 was spent for various improvements and interest on debt. The total fund balance increased by \$18,811,251.

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 2007 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 \$18,393,678, a bit higher than the original budget estimate of \$18,198,367. Of this \$195,311 difference, most of it could be accounted for from conservative estimates for property tax and intergovernmental revenues. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue exceeded final budget basis revenue by \$26,809.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was \$331,971. The change was mostly contributed to the increase in instruction estimates. Final amended budget appropriations exceeded actual expenditures by \$3,243.

Capital Assets and Long-term Liabilities

Capital Assets. The School District's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$4,856,422 (net of accumulated depreciation). The total decrease in the School District's investment in capital assets for the current fiscal year was 2.32 percent.

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

	<u>2007</u>	<u>2006</u>
Land	\$462,720	\$462,720
Land Improvements	989,527	1,033,310
Buildings and Improvements	2,461,809	2,669,837
Furniture and Fixtures	436,887	233,289
Vehicles	<u>505,479</u>	<u>572,854</u>
Total	<u><u>\$4,856,422</u></u>	<u><u>\$4,972,010</u></u>

While the School District acquired \$366,096 of capital assets comprised of furniture and fixtures and vehicles, \$71,887 of vehicles were disposed of. Additional information on the School District's capital assets can be found in note 10 of the basic financial statements. During fiscal year 1999, a change in Ohio law required school districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this amount was increased to three percent beginning in fiscal year 2000. For fiscal year 2007, this amounted to \$335,810 for each set aside. Additional information on the School District's set-aside requirements can be found in note 22 of the basic financial statements.

Long-term Liabilities At June 30, 2007, the School District had increased its outstanding long-term obligation by \$18,951,305 largely resulting from issuing the classroom facilities bonds offset with another year of principal payments on all other debt issues.

Hubbard Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities	
	2007	2006
Classroom Facilities Bonds	\$19,159,036	\$0
Library Improvement Bonds	645,000	790,000
Pool Loan	348,071	459,380
Capital Leases	635,732	819,196
Compensated Absences	983,955	751,913
Totals	\$21,771,794	\$2,820,489

The School District issued \$18,598,533 in classroom facilities bonds on March 22, 2007. Annual payments are made for twenty-eight years until maturity at December 1, 2034. The bonds are backed by the full faith and credit of the School District.

As of June 30, 2007, the School District's overall legal debt margin was \$287,310 with an unvoted debt margin of \$209,427. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 13 within the Notes to the Basic Financial Statements for further information on debt.

Current Financial Related Activities

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

The School District has managed its financial operations with prudence, while continually monitoring revenues and expenditures in accordance with the five year forecast. The current forecast projects year end balances through fiscal year 2012. These surpluses are relative to the many challenges that the School District is faced with.

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

In November of 2006, the School District issued bonds 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.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

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

Contacting the School District's Financial Management

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

Hubbard Exempted Village School District

Statement of Net Assets

June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$26,701,686
Accounts Receivable	1,734
Intergovernmental Receivable	38,344,529
Inventory Held for Resale	17,514
Materials and Supplies Inventory	1,890
Prepaid Items	703
Taxes Receivable	8,845,219
Deferred Charges	210,227
Nondepreciable Capital Assets	462,720
Depreciable Capital Assets, Net	4,393,702
<i>Total Assets</i>	<u>78,979,924</u>
Liabilities	
Accounts Payable	52,705
Accrued Wages	1,824,348
Contracts Payable	7,721
Intergovernmental Payable	526,746
Matured Compensated Absences Payable	26,067
Accrued Interest Payable	90,493
Deferred Revenue	8,034,992
Vacation Benefits Payable	67,406
Long-Term Liabilities:	
Due Within One Year	1,448,988
Due in More Than One Year	20,322,806
<i>Total Liabilities</i>	<u>32,402,272</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,872,619
Restricted for:	
Capital Projects	38,545,811
Debt Service	124,625
Set Asides	332,760
Other Purposes	338,145
Unrestricted	3,363,692
<i>Total Net Assets</i>	<u><u>\$46,577,652</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, 2007

	Program Revenues				Net
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Revenue/(Expense) and Changes in Net Assets
Governmental Activities					
Instruction:					
Regular	\$8,778,064	\$87,421	\$103,137	\$82,500	(\$8,505,006)
Special	1,964,836	9,318	664,074	0	(1,291,444)
Vocational	337,503	2,556	0	0	(334,947)
Support Services:					
Pupils	1,005,484	7,864	27,723	0	(969,897)
Instructional Staff	759,420	6,543	57,025	0	(695,852)
Board of Education	23,525	178	0	0	(23,347)
Administration	1,532,327	33,366	2,093	0	(1,496,868)
Fiscal	544,326	4,077	0	0	(540,249)
Business	37,717	296	0	0	(37,421)
Operation and Maintenance of Plant	1,906,574	14,660	0	0	(1,891,914)
Pupil Transportation	1,121,037	6,946	154,224	25,200	(934,667)
Central	349,917	1,630	9,000	0	(339,287)
Extracurricular Activities	701,424	176,300	1,713	0	(523,411)
Operation of Non-Instructional Services:					
Food Service Operations	805,548	417,805	384,219	0	(3,524)
Other Non-Instructional Services	392,370	5,501	120,855	0	(266,014)
Interest and Fiscal Charges	599,675	0	0	0	(599,675)
Totals	\$20,859,747	\$774,461	\$1,524,063	107,700	(18,453,523)

General Revenues

Property Taxes Levied for:

General Purposes	6,536,344
Debt Service	551,213
Capital Outlay	389,711
Classroom Facilities	48,928

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings	49,919,415
Gain on Sale of Capital Assets	674,926
Miscellaneous	1,514
	<u>216,868</u>

Total General Revenues

58,338,919

Change in Net Assets

39,885,396

*Net Assets Beginning of Year -
Restated (See Note 3)*

6,692,256

Net Assets End of Year

\$46,577,652

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2007*

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,677,831	\$18,814,851	\$1,863,679	\$26,356,361
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	345,325	0	0	345,325
Receivables:				
Taxes	5,200,944	0	3,644,275	8,845,219
Accounts	1,514	0	220	1,734
Intergovernmental	0	38,247,692	96,837	38,344,529
Prepaid Items	703	0	0	703
Interfund Receivable	215,000	0	0	215,000
Inventory Held for Resale	0	0	17,514	17,514
Materials and Supplies Inventory	0	0	1,890	1,890
<i>Total Assets</i>	<u>\$11,441,317</u>	<u>\$57,062,543</u>	<u>\$5,624,415</u>	<u>\$74,128,275</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$27,915	\$0	\$24,790	\$52,705
Accrued Wages	1,681,522	0	142,826	1,824,348
Contracts Payable	4,121	3,600	0	7,721
Intergovernmental Payable	460,293	0	66,453	526,746
Interfund Payable	0	0	215,000	215,000
Deferred Revenue	5,181,100	38,247,692	3,671,716	47,100,508
Matured Compensated Absences Payable	0	0	26,067	26,067
<i>Total Liabilities</i>	<u>7,354,951</u>	<u>38,251,292</u>	<u>4,146,852</u>	<u>49,753,095</u>
Fund Balances:				
Reserved for Encumbrances	4,425	475,023	14,128	493,576
Reserved for Property Taxes	19,844	0	5,573	25,417
Reserved for Unclaimed Monies	12,565	0	0	12,565
Reserved for Textbooks	265,865	0	0	265,865
Reserved for Budget Stabilization	66,895	0	0	66,895
Unreserved, Undesignated, Reported in:				
General Fund	3,716,772	0	0	3,716,772
Special Revenue Funds	0	0	343,658	343,658
Debt Service Fund	0	0	682,456	682,456
Capital Projects Funds	0	18,336,228	431,748	18,767,976
<i>Total Fund Balances</i>	<u>4,086,366</u>	<u>18,811,251</u>	<u>1,477,563</u>	<u>24,375,180</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,441,317</u>	<u>\$57,062,543</u>	<u>\$5,624,415</u>	<u>\$74,128,275</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, 2007*

Total Governmental Funds Balances		\$24,375,180
 <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.		4,856,422
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	784,810	
Grants	33,014	
School Facilities Money	38,247,692	
Total		39,065,516
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.		210,227
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(90,493)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(67,406)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Classroom Facilities Bonds	(18,602,462)	
Bond Premium	(556,574)	
Library Improvement Bonds	(645,000)	
Pool Loan	(348,071)	
Capital Lease Payable	(635,732)	
Compensated Absences	(983,955)	
Total		(21,771,794)
<i>Net Assets of Governmental Activities</i>		\$46,577,652

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, 2007

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,560,532	\$380,893	\$453,402	\$7,394,827
Intergovernmental	11,254,891	380,000	1,599,845	13,234,736
Interest	76,482	395,177	230,670	702,329
Charges for Services	0	0	417,805	417,805
Tuition and Fees	95,227	0	22,551	117,778
Extracurricular Activities	0	0	196,781	196,781
Rentals	36,905	0	5,192	42,097
Contributions and Donations	1,000	0	87,413	88,413
Miscellaneous	146,394	0	70,474	216,868
<i>Total Revenues</i>	<u>18,171,431</u>	<u>1,156,070</u>	<u>3,084,133</u>	<u>22,411,634</u>
Expenditures				
Current:				
Instruction:				
Regular	8,301,434	0	124,962	8,426,396
Special	1,175,230	0	749,573	1,924,803
Vocational	308,722	0	0	308,722
Support Services:				
Pupils	1,016,826	0	19,611	1,036,437
Instructional Staff	720,801	0	65,317	786,118
Board of Education	23,525	0	0	23,525
Administration	1,480,215	0	20,638	1,500,853
Fiscal	518,936	0	13,090	532,026
Business	32,459	0	0	32,459
Operation and Maintenance of Plant	1,825,866	0	0	1,825,866
Pupil Transportation	873,106	0	206,689	1,079,795
Central	207,402	0	9,000	216,402
Extracurricular Activities	409,145	0	181,233	590,378
Operation of Non-Instructional Services:				
Food Service Operations	0	0	795,654	795,654
Other Non-Instructional Services	274,831	0	108,233	383,064
Capital Outlay	0	141,129	241,409	382,538
Debt Service:				
Principal Retirement	54,147	0	385,626	439,773
Interest and Fiscal Charges	11,727	380,893	118,982	511,602
Bond Issuance Costs	0	0	212,121	212,121
<i>Total Expenditures</i>	<u>17,234,372</u>	<u>522,022</u>	<u>3,252,138</u>	<u>21,008,532</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>937,059</u>	<u>634,048</u>	<u>(168,005)</u>	<u>1,403,102</u>
Other Financing Sources (Uses)				
Classroom Facilities Bonds Issued	0	18,177,203	421,330	18,598,533
Classroom Facilities Bonds Premium	0	0	561,588	561,588
Sale of Capital Assets	1,514	0	0	1,514
Transfers In	0	0	480,990	480,990
Transfers Out	(480,990)	0	0	(480,990)
<i>Total Other Financing Sources (Uses)</i>	<u>(479,476)</u>	<u>18,177,203</u>	<u>1,463,908</u>	<u>19,161,635</u>
<i>Net Change in Fund Balances</i>	457,583	18,811,251	1,295,903	20,564,737
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>3,628,783</u>	<u>0</u>	<u>181,660</u>	<u>3,810,443</u>
<i>Fund Balances End of Year</i>	<u>\$4,086,366</u>	<u>\$18,811,251</u>	<u>\$1,477,563</u>	<u>\$24,375,180</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, 2007*

Net Change in Fund Balances -Total Governmental Funds \$20,564,737

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	366,096	
Current Year Depreciation	(481,684)	
Total		(115,588)

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

Property Taxes	131,369	
Grants	(24,956)	
School Facilities Money	38,247,692	
Interest	(22,110)	
Total		38,331,995

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. 439,773

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in the governmental funds a bond issuance expenditure is reported when bonds are issued. 212,121

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	(87,264)	
Bond Accretion	(3,929)	
Amortization of Issuance Costs	(1,894)	
Amortization of Bond Premium	5,014	
Total		(88,073)

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	(232,042)	
Vacation Benefits Payable	(67,406)	
Total		(299,448)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

Classroom Facilities Bonds Issued	(18,598,533)	
Bond Premium	(561,588)	
Total		(19,160,121)

Change in Net Assets of Governmental Activities \$39,885,396

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, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$6,489,227	\$6,568,663	\$6,568,663	\$0
Intergovernmental	11,124,368	11,260,544	11,260,544	0
Interest	304,604	308,333	308,333	0
Tuition and Fees	94,075	95,227	95,227	0
Rentals	36,459	36,905	36,905	0
Contributions and Donations	988	1,000	1,000	0
Miscellaneous	148,646	123,006	149,815	26,809
<i>Total Revenues</i>	18,198,367	18,393,678	18,420,487	26,809
Expenditures				
Current:				
Instruction:				
Regular	8,331,858	8,496,518	8,496,518	0
Special	1,158,584	1,181,481	1,181,481	0
Vocational	300,539	306,478	306,478	0
Support Services:				
Pupils	968,660	987,803	987,070	733
Instructional Staff	688,488	702,094	702,094	0
Board of Education	23,202	23,661	23,661	0
Administration	1,339,694	1,366,170	1,366,170	0
Fiscal	499,558	509,431	509,431	0
Business	31,356	31,976	31,976	0
Operation and Maintenance of Plant	1,750,706	1,785,305	1,785,305	0
Pupil Transportation	837,627	854,181	854,181	0
Central	162,618	165,832	165,831	1
Extracurricular Activities	411,988	420,130	419,515	615
Operation of Non-Instructional Services:				
Other Non-Instructional Services	292,943	298,732	296,838	1,894
<i>Total Expenditures</i>	16,797,821	17,129,792	17,126,549	3,243
<i>Excess of Revenues Over Expenditures</i>	1,400,546	1,263,886	1,293,938	30,052
Other Financing Sources (Uses)				
Advances In	13,288	13,288	13,288	0
Transfers Out	(480,990)	(480,990)	(480,990)	0
<i>Total Other Financing Sources (Uses)</i>	(467,702)	(467,702)	(467,702)	0
<i>Net Change in Fund Balance</i>	932,844	796,184	826,236	30,052
<i>Fund Balance Beginning of Year</i>	5,424,472	5,424,472	5,424,472	0
Prior Year Encumbrances Appropriated	18,160	18,160	18,160	0
<i>Fund Balance End of Year</i>	\$6,375,476	\$6,238,816	\$6,268,868	\$30,052

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$107,296</u></u>
Liabilities	
Due to Students	<u><u>\$107,296</u></u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Note 1 - Description of the School District and Reporting Entity

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The School District ranks as the 236th largest by enrollment among the 615 public school districts in the State. The Board of Education controls the School District's 3 instructional facilities staffed by 97 classified employees, 162 certified employees and 14 administrators who provide services to 2,166 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 four jointly governed organizations, two related party organizations and an insurance purchasing pool. These organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center, the North East Ohio Special Education Regional Resource Center, the North East Ohio Instructional Media Center, the Hubbard Parks and Recreation District, the Hubbard Public Library, and the Ohio School Boards' Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15, 16 and 17 to the basic financial statements.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District had no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to repurchase agreements, federal home loan bank notes, federal home loan mortgage corporation notes and federal national mortgage association notes.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

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 building capital projects fund during fiscal year 2007 amounted to \$225,377, of which \$208,566 was assigned from other School District funds.

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

F. Inventory

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

G. Restricted Assets

Assets reported as restricted when limitations on their use change in nature or normal understanding of the availability of the net asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside to create a reserve for the purchase of textbooks and budget stabilization as well as money set aside as unclaimed monies. See Note 22 for additional information regarding set asides.

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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:

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

L. Internal Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance Reserves

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$39,341,341, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for grants, auxiliary services and extracurricular activities.

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

O. Bond Issuance Costs

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

P. Bond Premiums

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Data

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

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

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 3 – Restatement of Prior Year Fund Balance/Net Assets

The School District determined that the scholarship private purpose trust fund should be reclassified to a special revenue fund due to the scholarship fund receiving donations that have been designated for scholarships as of June 30, 2006. The adjustment had the following effect on fund balance as previously reported.

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Fund Balance as Previously Reported	\$3,628,783	\$0	\$148,971	\$3,777,754
Fund Reclassification	0	0	32,689	32,689
Restated Balance June 30, 2006	\$3,628,783	\$0	\$181,660	\$3,810,443

The fund reclassification had the following effect on net assets as they were previously reported.

	Governmental Activities
Net Assets, June 30, 2006	\$6,659,567
Fund Reclassification	32,689
Adjusted Net Assets, June 30, 2006	\$6,692,256

Note 4 - Accountability

Fund balances at June 30, 2007, included the following individual fund deficits:

Special Revenue Funds	
District Managed Activities	\$3,756
Poverty Based Assistance	7,631
Title I	36,937
Title II-A	7,083
Capital Projects Fund	
Permanent Improvement	207,386

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 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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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

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

Net Change in Fund Balance	
GAAP Basis	\$457,583
Net Adjustment for Revenue Accruals	23,520
Advances In	13,288
Beginning Fair Value Adjustment for Investments	(29,867)
Ending Fair Value Adjustment for Investments	253,889
Net Adjustment for Expenditure Accruals	116,000
Encumbrances	<u>(8,177)</u>
Budget Basis	<u><u>\$826,236</u></u>

Note 6 - Deposits and Investments

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

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,030,048 of the School District's bank balance of \$1,248,530 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.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Investments

As of June 30, 2007, the School District had the following investments:

	Maturity			Total
	Less Than Six Months	More Than Six Months But Less than One Year	More than One Year	
Repurchase Agreements	\$4,554,747	\$0	\$0	\$4,554,747
Federal Home Loan Bank Notes	2,040,786	1,687,601	7,782,277	11,510,664
Federal Home Loan Mortgage Corporation Notes	147,630	0	3,454,674	3,602,304
Federal National Mortgage Association Notes	0	2,990,640	2,969,070	5,959,710
Total Portfolio	\$6,743,163	\$4,678,241	\$14,206,021	\$25,627,425

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

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

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments. The Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation Notes and the Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2007:

Investment Issuer	Percentage of Investments
Repurchase Agreements	17.77 %
Federal Home Loan Bank Notes	44.92
Federal Home Loan Mortgage Corporation Notes	14.06
Federal National Mortgage Association Notes	23.26

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 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, 2007 was \$19,844 in the general fund, \$5,573 in the bond retirement fund. The amount available as an advance at June 30, 2006 was \$27,975 in the general fund, \$726 in the bond retirement fund.

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$202,294,790	90.15%	\$205,328,340	91.11%
Public Utility Personal	6,272,000	2.80	6,119,710	2.72
General Business Personal	15,807,265	7.05	13,917,732	6.17
Total	<u>\$224,374,055</u>	<u>100.00%</u>	<u>\$225,365,782</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$53.05		\$58.85	

In May of 2006, the School District passed a 5.40 mill, \$1,047,214 emergency levy. The collection on this levy began in the first half of fiscal year 2007.

In November of 2007, the School District passed a 5.45 mill, \$18,598,533 bond levy and a 0.5 mill facilities levy. The collections on these levies began in the second half of fiscal year 2007.

Note 8 - Receivables

Receivables at June 30, 2007, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for delinquent property taxes and the Ohio Schools Facilities grant are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Ohio School Facilities Grant	\$38,247,692
Federal Lunch Reimbursement	34,537
Title I	26,652
Miscellaneous State Grants	18,017
Title II-A	8,914
Title VI-B	6,949
Miscellaneous Federal Grants	918
Drug Free Schools	629
Title V	221
Total	<u>\$38,344,529</u>

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Note 9 - Interfund Transfers and Balances

A. Interfund Transfers

The general fund transferred \$480,990 to the permanent improvement capital projects fund to finance capital outlay purchases and to help fund lease payments.

B. Interfund Balances

Interfund balances at June 30, 2007, consist of an interfund receivable/payable between the general fund and the permanent improvement capital projects fund in the amount of \$215,000. This loan used to supplement prior year lease purchase proceeds is expected to be repaid in one year.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Nondepreciable Capital Assets				
Land	\$462,720	\$0	\$0	\$462,720
Depreciable Capital Assets				
Land Improvements	1,764,980	0	0	1,764,980
Buildings and Improvements	10,173,698	0	0	10,173,698
Furniture and Fixtures	727,188	295,926	0	1,023,114
Vehicles	1,531,439	70,170	(71,887)	1,529,722
<i>Total at Historical Cost</i>	<u>14,197,305</u>	<u>366,096</u>	<u>(71,887)</u>	<u>14,491,514</u>
Less: Accumulated Depreciation				
Land Improvements	(731,670)	(43,783)	0	(775,453)
Buildings and Improvements	(7,503,861)	(208,028)	0	(7,711,889)
Furniture and Fixtures	(493,899)	(92,328)	0	(586,227)
Vehicles	(958,585)	(137,545)	71,887	(1,024,243)
<i>Total Accumulated Depreciation</i>	<u>(9,688,015)</u>	<u>(481,684) *</u>	<u>71,887</u>	<u>(10,097,812)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>4,509,290</u>	<u>(115,588)</u>	<u>0</u>	<u>4,393,702</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$4,972,010</u>	<u>(\$115,588)</u>	<u>\$0</u>	<u>\$4,856,422</u>

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$190,871
Support Services	
Pupils	1,035
Instructional Staff	4,000
Administration	755
Operation and Maintenance of Plant	53,111
Pupil Transportation	107,454
Central	889
Extracurricular Activities	112,119
Operation of Non-Instructional Services:	
Food Service Operations	1,975
Other Non-Instructional Services	9,475
Total Depreciation Expense	<u>\$481,684</u>

Note 11 – Fund Obligations

The School District’s note activity, including amounts outstanding and interest rates, are as follows:

	<u>Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u>
	<u>June 30, 2006</u>			<u>June 30, 2007</u>
2007 3.60 - 5.00%				
Classroom Facilities Note	<u>\$0</u>	<u>\$18,598,000</u>	<u>\$18,598,000</u>	<u>\$0</u>

The classroom facilities note was issued for the purpose of various school improvements. The note was issued and paid in full from the building and the classroom facilities capital projects funds in fiscal year 2007 with a principal payment of \$18,598,000 and interest of \$389,711.

Note 12 – Capital Leases

In prior years, the School District has entered into a copier lease and an OASBO lease for new windows in the high school, a new drainage system in the stadium and boiler replacement. The lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and has been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of June 30, 2007 follow:

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

	Amounts
Asset:	
Equipment	\$1,165,651
Less: Accumulated depreciation	(331,600)
Current Book Value	\$834,051

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

	Amounts
2008	\$213,336
2009	209,602
2010	157,993
2011	106,791
Total Mimimum Lease Payments	687,722
Less: Amount representing interest	(51,990)
Present Value of Mimimum Lease Payments	\$635,732

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

Note 13 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	Principal Outstanding June 30, 2006	Additions	Deductions	Principal Outstanding June 30, 2007	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2007 Classroom Facilities Improvement Bonds					
Current Interest Serial Bonds 3.6 - 4.00 %	\$0	\$5,010,000	\$0	\$5,010,000	\$445,000
Capital Appreciation Bonds 4.10 %	0	203,533	0	203,533	0
Accretion on Capital Appreciation Bonds	0	3,929	0	3,929	0
Current Interest Term Bonds 4.25 - 5.00 %	0	13,385,000	0	13,385,000	0
Premium on Bonds	0	561,588	(5,014)	556,574	0
Total Classroom Facilities Improvement Bonds	0	19,164,050	(5,014)	19,159,036	445,000
Library Improvement Bonds 2.4%	790,000	0	(145,000)	645,000	150,000
<i>Total General Obligation Bonds</i>	\$790,000	\$19,164,050	(\$150,014)	\$19,804,036	\$595,000

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

	Principal Outstanding June 30, 2006	Additions	Deductions	Principal Outstanding June 30, 2007	Amount Due in One Year
Governmental Activities					
Other Long-term Obligations					
Pool Loan	\$459,380	\$0	(\$111,309)	\$348,071	\$115,899
Capital Leases	819,196	0	(183,464)	635,732	188,350
Compensated Absences	751,913	453,215	(221,173)	983,955	549,739
<i>Total Other Long-term Obligations</i>	<u>2,030,489</u>	<u>453,215</u>	<u>(515,946)</u>	<u>1,967,758</u>	<u>853,988</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$2,820,489</u>	<u>\$19,617,265</u>	<u>(\$665,960)</u>	<u>\$21,771,794</u>	<u>\$1,448,988</u>

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

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 2007 was 3,929, for a total outstanding bond liability of \$207,462 at June 30, 2007.

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

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

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

The overall debt margin of the School District as of June 30, 2007 was \$287,310 with an unvoted debt margin of \$209,427. Principal and interest requirements to retire general obligation bonds and the pool loan outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds - Classroom Facilities Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$445,000	\$946,430	\$0	\$0	\$0	\$0
2009	365,000	799,645	0	0	0	0
2010	355,000	785,245	0	0	0	0
2011	370,000	771,485	0	0	0	0
2012	385,000	757,125	0	0	0	0
2013 - 2017	1,725,000	3,544,224	203,533	311,467	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 - 2035	0	0	0	0	3,890,000	300,500
Total	\$5,010,000	\$9,569,129	\$203,533	\$311,467	\$13,385,000	\$5,477,363

Fiscal Year Ending June 30	General Obligation Bonds			
	Library Improvement		Pool Loan	
	Principal	Interest	Principal	Interest
2008	\$150,000	\$30,780	\$115,899	\$11,420
2009	155,000	22,545	120,737	6,582
2010	165,000	13,905	111,435	5,274
2011	175,000	9,450	0	0
Total	\$645,000	\$76,680	\$348,071	\$23,276

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 14 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Indiana Insurance for various types of insurance. Coverage is as follows:

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

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

B. Worker's Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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 15 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$16,545 to NEOMIN during fiscal year 2007.

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, 2007*

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

North East Ohio Special Education Regional Resource Center The North East Ohio Special Education Regional Resource Center (NEO/SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The School District paid \$3,603 to NEO/SERRC during fiscal year 2007.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contracting the Treasurer at Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

North East Ohio Instructional Media Center The North East Ohio Instructional medial Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on the use of media materials. The School District paid \$2,204 to NEOIMC during fiscal year 2007.

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

Note 16 – Related Party Organizations

Hubbard Parks and Recreation District The three Hubbard Park and Recreation Board Members and their secretary are appointed by the City of Hubbard. The Hubbard Board of Education appoints the Chairman, who is now Bill Longley and the Co-Chairman, who is now Ken Graban. The Hubbard Parks are not dependent on the Board of Education nor is the Board of Education dependent on the Hubbard Parks. Complete financial statements can be obtained from the Hubbard Park and Recreation Board, P.O. Box 55, Hubbard, Ohio 44425.

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 each other. 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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Hubbard Public Library, Debra Carsone, Clerk/Treasurer, at 436 West Liberty Street, Hubbard, Ohio 44425.

Note 17 - 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 18 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$271,203, \$284,730 and \$298,310 respectively; 51.81 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,093,812, \$1,122,079 and \$1,114,398 respectively; 84.03 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$10,553 made by the School District and \$25,844 made by the plan members.

Note 19 – Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$84,139 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$136,126.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Note 20 - Other Employee Benefits

A. Compensated Absences

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

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

B. Employee Benefits

The School District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical, prescription and dental plan, which is administered by United Health Care located in Cleveland, Ohio. The traditional plan has a \$100 deductible for single and a \$200 deductible for family. The co-payment is 90/10. The premium for single is \$406.16 and \$1,116.94 for family per month. The School District also provides life insurance for its employees through Sunlife Financial.

Note 21 - Contingencies

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

As of June 30, 2007, the School District was party to legal proceedings. A suit was brought against the School District in the Trumbull County Common Pleas Court seeking compensation in the amounts of \$25,000 in monetary damages and \$500,000 in punitive damages as well as court and attorney fees and any other damages deemed fair, just and equitable. As of June 30, 2007, no ruling has been made on these legal proceedings.

Note 22 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2006	\$204,773	\$437,077	\$66,895
Current Year Set-aside Requirement	355,810	355,810	0
Current Year Offset	0	(18,598,533)	0
Qualifying Disbursements	<u>(294,718)</u>	<u>(297,487)</u>	<u>0</u>
Total	<u>\$265,865</u>	<u>(\$18,103,133)</u>	<u>\$66,895</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$265,865</u>	<u>(\$18,103,133)</u>	<u>\$66,895</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$265,865</u>	<u>\$0</u>	<u>\$66,895</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set aside amount to below zero. This extra amount may be used to reduce the set-aside requirement of future years. The total reserve balance for set-asides at the end of the fiscal year was \$332,760.

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$106,315		\$106,315
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU-2006 05PU-2007	10.553	\$8,173 22,771 <u>30,944</u>		\$8,173 22,771 <u>30,944</u>	
National School Lunch Program	LLP4-2006 LLP4-2007	10.555	75,400 200,397 <u>275,797</u>		75,400 200,397 <u>275,797</u>	
<i>Subtotal - Nutrition Cluster</i>						
Total U.S. Department of Agriculture			306,741	106,315	306,741	106,315
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA Part B)	6B-SD-06 6B-SF-06 6B-SF-07	84.027	8,045 (67,450) 612,491 <u>553,086</u>		10,646 34,787 560,590 <u>606,023</u>	
<i>Subtotal - Special Education Cluster</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-06 C1-S1-07	84.010			30,600 285,702 <u>316,302</u>	
<i>Subtotal - CFDA 84.010</i>						
Drug-Free Schools Grant	DR-S1-07	84.186	8,655		8,655	
Innovative Educational Program	C2-S1-07	84.298	3,223		3,223	
Title II-D, Technology	TJ-S1-06 TJ-S1-07	84.318			100 2,357 <u>2,457</u>	
<i>Subtotal - CFDA 84.318</i>						
Title II-A, Improving Student Quality	TR-S1-06 TR-S1-07	84.367	16,031 81,594 <u>97,625</u>		16,031 77,509 <u>93,540</u>	
<i>Subtotal - CFDA 84.367</i>						
Total U.S. Department of Education			964,977		1,030,200	
Totals			\$1,271,718	\$106,315	\$1,336,941	\$106,315

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – CARRYOVER FUNDS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

October 31, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Hubbard Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Hubbard Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

October 31, 2008

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States – (IDEA-Part B) – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 11, 2008