



Dave Yost • Auditor of State



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

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**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 22 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

April 25, 2016

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## Hubbard Exempted Village School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited*

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As management of the Hubbard Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2015. 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

- The School District's enrollment increased from fiscal year 2014 to fiscal year 2015. As a result of this increase, there was an increase in school foundation revenues from the State of Ohio.
- The School District implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the School District.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- On December 18, 2014, the School District refunded a portion of the 2007 general obligation classroom facilities improvement bonds to take advantage of lower interest rates.

### Overview of the Financial Statements

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

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

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

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

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.

## Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

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

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

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2015 compared to 2014.

(Table 1)  
Net Position  
Governmental Activities

	2015	2014	Change
<b>Assets</b>			
Current and Other Assets	\$12,322,270	\$13,169,777	(\$847,507)
Capital Assets, Net	51,562,720	53,525,295	(1,962,575)
<i>Total Assets</i>	<u>63,884,990</u>	<u>66,695,072</u>	<u>(2,810,082)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	1,555,427	1,244,294	311,133
Pension	1,684,601	1,356,311	328,290
<i>Total Deferred Outflows of Resources</i>	<u>\$3,240,028</u>	<u>\$2,600,605</u>	<u>\$639,423</u>

## Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

(Table 1)

**Net Position (continued)**  
**Governmental Activities**

	2015	2014	Change
<b>Liabilities</b>			
Current Liabilities	\$2,363,767	\$2,631,920	\$268,153
Long-Term Liabilities			
Due within One Year	1,064,145	957,686	(106,459)
Due in More than One Year			
Net Pension Liability	22,905,530	27,210,405	4,304,875
Other Amounts	19,047,262	19,221,132	173,870
<i>Total Liabilities</i>	<u>45,380,704</u>	<u>50,021,143</u>	<u>4,640,439</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	7,011,342	6,941,993	69,349
Pension	4,133,063	0	4,133,063
<i>Total Deferred Inflows of Resources</i>	<u>11,144,405</u>	<u>6,941,993</u>	<u>4,202,412</u>
<b>Net Position</b>			
Net Investment in Capital Assets	34,556,062	35,853,924	(1,297,862)
Restricted for:			
Capital Projects	110,168	199,225	(89,057)
Debt Service	629,966	391,741	238,225
Unclaimed Monies	34,794	30,348	4,446
Other Purposes	943,114	930,366	12,748
Unrestricted	<u>(25,674,195)</u>	<u>(25,073,063)</u>	<u>(601,132)</u>
<i>Total Net Position</i>	<u>\$10,599,909</u>	<u>\$12,332,541</u>	<u>(\$1,732,632)</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

## Hubbard Exempted Village School District

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$38,627,376 to \$12,332,541.

Cash and cash equivalents decreased due to the School District having more expenses than revenues during the fiscal year. The increase in intergovernmental receivable is due to the School District having a larger grant carryover when compared to the prior fiscal year. The decrease in capital assets was due to an additional year of depreciation exceeding current year additions.

Total liabilities decreased during fiscal year 2015 which can be attributed to the change in net pension liability along with the annual payments on the School District’s general obligation bonds and decreases in contracts and retainage payable due to the athletic facilities improvements coming to an end.

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

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

**Hubbard Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

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

	2015	2014	Change
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services and Sales	\$2,056,267	\$1,776,600	\$279,667
Operating Grants, Interest and Contributions	2,188,249	2,105,029	83,220
Capital Grants, Interest and Contributions	25,450	39,203	(13,753)
<b><i>Total Program Revenues</i></b>	<b>4,269,966</b>	<b>3,920,832</b>	<b>349,134</b>
<b><i>General Revenues</i></b>			
Property Taxes	6,824,318	6,721,701	102,617
Grants and Entitlements not Restricted	9,482,186	9,408,098	74,088
Investment Earnings	17,304	25,175	(7,871)
Miscellaneous	305,304	556,681	(251,377)
<b><i>Total General Revenues</i></b>	<b>16,629,112</b>	<b>16,711,655</b>	<b>(82,543)</b>
<b><i>Total Revenues</i></b>	<b>20,899,078</b>	<b>20,632,487</b>	<b>266,591</b>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	10,266,423	11,114,249	847,826
Special	2,261,229	2,381,622	120,393
Vocational	111,381	146,524	35,143
Student Intervention Services	591,377	610,753	19,376
Support Services:			
Pupils	1,013,920	912,471	(101,449)
Instructional Staff	353,277	221,642	(131,635)
Board of Education	30,122	22,482	(7,640)
Administration	1,437,326	1,190,769	(246,557)
Fiscal	726,901	673,123	(53,778)
Business	27,644	20,594	(7,050)
Operation and Maintenance of Plant	1,699,344	1,864,883	165,539
Pupil Transportation	1,007,590	1,100,594	93,004
Central	289,470	340,345	50,875
Extracurricular Activities	943,844	813,468	(130,376)
Operation of Non-Instructional Services:			
Food Service Operations	783,068	802,666	19,598
Other Non-Instructional Services	409,229	404,540	(4,689)
Interest and Fiscal Charges	679,565	669,173	(10,392)
<b><i>Total Program Expenses</i></b>	<b>22,631,710</b>	<b>23,289,898</b>	<b>658,188</b>
<b><i>Change in Net Position</i></b>	<b>(1,732,632)</b>	<b>(2,657,411)</b>	<b>924,779</b>
<b><i>Net Position Beginning of Year</i></b>	<b>12,332,541</b>	<b>NA</b>	
<b><i>Net Position End of Year</i></b>	<b>\$10,599,909</b>	<b>\$12,332,541</b>	<b>(\$1,732,632)</b>

## Hubbard Exempted Village School District

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,356,311 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$969,124. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$22,631,710
Pension expense under GASB 68	(969,124)
2015 contractually required contribution	1,469,226
Adjusted 2015 program expenses	<u>23,131,812</u>
Total 2014 program expenses under GASB 27	<u>23,289,898</u>
Decrease in program expenses not related to pension	<u><u>(\$158,086)</u></u>

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The increase in operating grants, interest and contributions can be attributed to the School District receiving additional donations compared to fiscal year 2014.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. The decrease in regular instructional expenses was due to purchasing new equipment and furnishings for the new school facilities in the prior fiscal year. These decreases were partly offset by negotiated salary increases for the year. Certified staff received longevity step increases. Vertical step progression was reinstated for the fiscal year where the employee stopped when the steps were frozen in the prior negotiated contract. Non-vertically stepping certified staff was paid a one-time only \$1,000 stipend. The increase in support expenses was due to negotiated salary increases for fiscal year 2015. The classified staff received a 1 percent base increase as well as step increases.

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 2015 compared to 2014.

# Hubbard Exempted Village School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited

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

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$13,230,410	\$10,404,091	\$14,253,148	\$11,622,619
Support Services:				
Pupils and Instructional Staff	1,367,197	1,357,497	1,134,113	1,085,353
Board of Education, Administration Fiscal and Business	2,221,993	2,157,784	1,906,968	1,820,564
Operation and Maintenance of Plant	1,699,344	1,605,079	1,864,883	1,799,598
Pupil Transportation	1,007,590	959,706	1,100,594	1,100,594
Central	289,470	284,070	340,345	334,945
Extracurricular Activities	943,844	574,995	813,468	569,188
Operation of Non-Instructional Services:				
Food Service Operations	783,068	37,803	802,666	48,029
Other Non-Instructional Services	409,229	301,154	404,540	319,003
Interest and Fiscal Charges	679,565	679,565	669,173	669,173
<i>Total Expenses</i>	<u>\$22,631,710</u>	<u>\$18,361,744</u>	<u>\$23,289,898</u>	<u>\$19,369,066</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2015. The community, as a whole, is by far the primary support for the Hubbard Exempted Village School District.

## Financial Analysis of the Government's Funds

**Governmental Fund** Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance due to expenditures exceeding revenues in the current fiscal year. Intergovernmental revenue increased due to the increase in enrollment. Property tax collections were up compared to the prior fiscal year as well. Instructional and support service expenditures increased in the current fiscal year due to the School District negotiating raises for the certified and classified staff. In the prior fiscal year, the School District used the lease purchase obligation proceeds to make upgrades to the athletic facilities, therefore capital outlay has increased. The bond retirement fund balance increased from the prior fiscal year due to an increase in property tax collections and a decrease in debt payments for the classroom facilities bonds. Other governmental funds had a decrease in fund balance due to a decrease in grant monies as well as using a portion of the capital project fund balance to pay for a portion of the athletic facilities project.

## General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2015 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.

## Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

### Capital Assets and Long-term Liabilities

**Capital Assets** Table 4 shows fiscal year 2015 balances compared to fiscal year 2014.

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

	2015	2014
Land	\$462,720	\$462,720
Construction in Progress	162,157	0
Land Improvements	4,293,826	4,589,904
Buildings and Improvements	45,788,327	47,444,030
Furniture and Fixtures	643,581	758,003
Vehicles	212,109	270,638
Total	<u>\$51,562,720</u>	<u>\$53,525,295</u>

The decrease in capital assets can be attributed to an additional year of depreciation during the fiscal year which was offset by current year additions. The School District purchased a back-up power system for the main campus, purchased two new vehicles during fiscal year 2015 and continued upgrades to the athletic facilities. The improvements to the athletic facility included the track and softball field and will be complete in fiscal year 2016. Additional information on the School District's capital assets can be found in note 10 of the basic financial statements.

**Long-term Liabilities** Table 5 summarizes the School District's long-term obligations.

(Table 5)  
Outstanding Long-Term Obligations

	Governmental Activities	
	2015	2014
Classroom Facilities Bonds	\$17,609,502	\$17,668,121
Athletic Facilities Lease Purchase	1,395,000	1,520,000
Net Pension Liability	22,905,530	27,210,405
Compensated Absences	1,056,523	990,697
Totals	<u>\$42,966,555</u>	<u>\$47,389,223</u>



## **Hubbard Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

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

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

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

On December 18, 2014, the School District issued \$6,614,998 in general obligation bonds to refund a portion of 2007 general obligation classroom facilities improvement bonds. Annual payments are made for a sixteen year period until final maturity at December 1, 2030. The bonds are backed by the full faith and credit of the School District.

As of June 30, 2015, the School District's overall legal debt margin was \$3,791,671 with an unvoted debt margin of \$203,676. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 11 within the Notes to the Basic Financial Statements for further information on debt.

### **Current Financial Related Activities**

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

The School District has managed its financial operations with prudence, while continually monitoring revenues and expenditures in accordance with the five year forecast. The current forecast projects year end balances through fiscal year 2020. The forecast indicates a positive balance through 2016 and a deficit balance beginning in 2017 and continuing through 2020.

The School District passed one emergency levy renewals in 2015. The May 5, 2015 renewal was for 4.9 mills, which is equal to \$1,024,214 in tax revenue. The next emergency levy renewal is on the ballot on March 15, 2016, which will provide \$1,218,709 in tax revenue.

House Bill 66 effectively eliminated the Tangible Personal Property Tax (TPP). The School District has offset this loss of revenue through State reimbursements and open enrollment dollars. Open enrollment generates roughly \$900,000 in annual revenue for the School District. Without these funds available, the Board of Education would need to look into alternative methods of revenue replacement to help compensate for this shortfall.

## **Hubbard Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

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

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

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

## **Basic Financial Statements**

**Hubbard Exempted Village School District**

*Statement of Net Position*

*June 30, 2015*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,820,137
Cash and Cash Equivalents With Fiscal Agents	14,313
Accrued Interest Receivable	4,148
Accounts Receivable	13,104
Intergovernmental Receivable	260,279
Inventory Held for Resale	13,189
Taxes Receivable	8,197,100
Nondepreciable Capital Assets	624,877
Depreciable Capital Assets, Net	<u>50,937,843</u>
<i>Total Assets</i>	<u>63,884,990</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding Pension	1,555,427
	<u>1,684,601</u>
<i>Total Deferred Outflows of Resources</i>	<u>3,240,028</u>
<b>Liabilities</b>	
Accounts Payable	107,602
Accrued Wages	1,785,742
Retainage Payable	14,313
Intergovernmental Payable	395,274
Accrued Interest Payable	42,518
Vacation Benefits Payable	18,318
Long-Term Liabilities:	
Due Within One Year	1,064,145
Due in More Than One Year	
Net Pension Liability (See Note 16)	22,905,530
Other Amounts	<u>19,047,262</u>
<i>Total Liabilities</i>	<u>45,380,704</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	7,011,342
Pension	<u>4,133,063</u>
<i>Total Deferred Inflows of Resources</i>	<u>11,144,405</u>
<b>Net Position</b>	
Net Investment in Capital Assets	34,556,062
Restricted for:	
Capital Projects	110,168
Debt Service	629,966
Unclaimed Monies	34,794
Other Purposes	943,114
Unrestricted (Deficit)	<u>(25,674,195)</u>
<i>Total Net Position</i>	<u><u>\$10,599,909</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, 2015*

	Program Revenues				Net
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Revenue/(Expense) and Changes in Net Position
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,266,423	\$1,336,000	\$435,269	\$0	(\$8,495,154)
Special	2,261,229	0	1,046,702	0	(1,214,527)
Vocational	111,381	0	8,348	0	(103,033)
Student Intervention Services	591,377	0	0	0	(591,377)
Support Services:					
Pupils	1,013,920	0	2,540	0	(1,011,380)
Instructional Staff	353,277	0	7,160	0	(346,117)
Board of Education	30,122	0	0	0	(30,122)
Administration	1,437,326	0	4,889	0	(1,432,437)
Fiscal	726,901	0	59,320	0	(667,581)
Business	27,644	0	0	0	(27,644)
Operation and Maintenance of Plant	1,699,344	68,815	0	25,450	(1,605,079)
Pupil Transportation	1,007,590	0	47,884	0	(959,706)
Central	289,470	0	5,400	0	(284,070)
Extracurricular Activities	943,844	342,003	26,846	0	(574,995)
Operation of Non-Instructional Services:					
Food Service Operations	783,068	309,449	435,816	0	(37,803)
Other Non-Instructional Services	409,229	0	108,075	0	(301,154)
Interest and Fiscal Charges	679,565	0	0	0	(679,565)
<b>Totals</b>	<b>\$22,631,710</b>	<b>\$2,056,267</b>	<b>\$2,188,249</b>	<b>25,450</b>	<b>(18,361,744)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	5,770,490
Debt Service	967,234
Classroom Facilities	86,594

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings	17,304
Miscellaneous	305,304

*Total General Revenues*

16,629,112

Change in Net Position

(1,732,632)

*Net Position Beginning of Year*

*(Restated - See Note 22)*

12,332,541

*Net Position End of Year*

\$10,599,909

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**

*Balance Sheet  
Governmental Funds  
June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,198,463	\$520,389	\$1,066,491	\$3,785,343
Cash and Cash Equivalents				
With Fiscal Agents	14,313	0	0	14,313
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	34,794	0	0	34,794
Receivables:				
Property Taxes	6,952,986	1,142,142	101,972	8,197,100
Accounts	13,104	0	0	13,104
Intergovernmental	48,553	0	211,726	260,279
Interfund Receivable	6,356	0	0	6,356
Accrued Interest Receivable	4,148	0	0	4,148
Inventory Held for Resale	0	0	13,189	13,189
<i>Total Assets</i>	<u>\$9,272,717</u>	<u>\$1,662,531</u>	<u>\$1,393,378</u>	<u>\$12,328,626</u>
<b>Liabilities</b>				
Accounts Payable	\$77,544	\$0	\$30,058	\$107,602
Accrued Wages	1,646,704	0	139,038	1,785,742
Retainage Payable	14,313	0	0	14,313
Intergovernmental Payable	367,168	0	28,106	395,274
Interfund Payable	0	0	6,356	6,356
<i>Total Liabilities</i>	<u>2,105,729</u>	<u>0</u>	<u>203,558</u>	<u>2,309,287</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	5,951,908	972,598	86,836	7,011,342
Unavailable Revenue	1,004,231	165,563	129,325	1,299,119
<i>Total Deferred Inflows of Resources</i>	<u>6,956,139</u>	<u>1,138,161</u>	<u>216,161</u>	<u>8,310,461</u>
<b>Fund Balances:</b>				
Nonspendable	34,794	0	0	34,794
Restricted	0	524,370	959,179	1,483,549
Committed	0	0	81,095	81,095
Assigned	176,055	0	0	176,055
Unassigned (Deficit)	0	0	(66,615)	(66,615)
<i>Total Fund Balances</i>	<u>210,849</u>	<u>524,370</u>	<u>973,659</u>	<u>1,708,878</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$9,272,717</u>	<u>\$1,662,531</u>	<u>\$1,393,378</u>	<u>\$12,328,626</u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2015*

<b>Total Governmental Funds Balances</b>	\$1,708,878
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,562,720
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	1,157,919
Intergovernmental	<u>141,200</u>
Total	1,299,119
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental fund:	
Deferred Outflows - Pension	1,684,601
Deferred Inflows - Pension	(4,133,063)
Net Pension Liability	<u>(22,905,530)</u>
Total	(25,353,992)
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(42,518)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(18,318)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Classroom Facilities Bonds	(15,538,872)
Athletic Facilities Lease Purchase	(1,395,000)
Bond Premium	(2,206,639)
Bond Discount	85,627
Compensated Absences	(1,056,523)
Deferred Charge on Refunding	<u>1,555,427</u>
Total	<u>(18,555,980)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$10,599,909</u></u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$5,952,493	\$988,294	\$88,308	\$7,029,095
Intergovernmental	10,049,210	176,286	1,318,755	11,544,251
Interest	17,304	0	247	17,551
Charges for Services	166,629	0	309,449	476,078
Tuition and Fees	1,336,000	0	0	1,336,000
Extracurricular Activities	27,606	0	147,768	175,374
Rentals	68,815	0	0	68,815
Contributions and Donations	51,655	0	54,296	105,951
Miscellaneous	304,104	0	1,200	305,304
<i>Total Revenues</i>	<u>17,973,816</u>	<u>1,164,580</u>	<u>1,920,023</u>	<u>21,058,419</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,345,420	0	367,243	8,712,663
Special	2,050,617	0	286,951	2,337,568
Vocational	144,956	0	0	144,956
Student Intervention Services	591,377	0	0	591,377
Support Services:				
Pupils	994,787	0	7,393	1,002,180
Instructional Staff	250,204	0	6,493	256,697
Board of Education	30,122	0	0	30,122
Administration	1,464,170	0	4,655	1,468,825
Fiscal	591,904	23,670	2,113	617,687
Business	27,644	0	0	27,644
Operation and Maintenance of Plant	1,732,597	0	0	1,732,597
Pupil Transportation	953,620	0	0	953,620
Central	293,775	0	5,400	299,175
Extracurricular Activities	467,319	0	236,461	703,780
Operation of Non-Instructional Services:				
Food Service Operations	0	0	764,491	764,491
Other Non-Instructional Services	317,539	0	89,764	407,303
Capital Outlay	50,889	0	243,092	293,981
Debt Service:				
Principal Retirement	125,000	585,000	0	710,000
Interest and Fiscal Charges	47,369	491,749	0	539,118
Bond Issuance Costs	0	118,609	0	118,609
<i>Total Expenditures</i>	<u>18,479,309</u>	<u>1,219,028</u>	<u>2,014,056</u>	<u>21,712,393</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(505,493)</u>	<u>(54,448)</u>	<u>(94,033)</u>	<u>(653,974)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	6,614,998	0	6,614,998
Premium on Refunding Bonds Issued	0	680,436	0	680,436
Payment to Refunding Bonds Escrow Agent	0	(7,176,825)	0	(7,176,825)
Transfers In	0	0	76,089	76,089
Transfers Out	(76,089)	0	0	(76,089)
<i>Total Other Financing Sources (Uses)</i>	<u>(76,089)</u>	<u>118,609</u>	<u>76,089</u>	<u>118,609</u>
<i>Net Change in Fund Balances</i>	<u>(581,582)</u>	<u>64,161</u>	<u>(17,944)</u>	<u>(535,365)</u>
<i>Fund Balances Beginning of Year</i>	<u>792,431</u>	<u>460,209</u>	<u>991,603</u>	<u>2,244,243</u>
<i>Fund Balances End of Year</i>	<u>\$210,849</u>	<u>\$524,370</u>	<u>\$973,659</u>	<u>\$1,708,878</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, 2015*

**Net Change in Fund Balances - Total Governmental Funds** (\$535,365)

*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 outlay in the current period.

Capital Asset Additions	231,844	
Current Year Depreciation	(2,194,419)	
Total		(1,962,575)

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

Delinquent Property Taxes	(204,777)	
Intergovernmental	45,436	
Total		(159,341)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,886,825

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	6,574	
Amortization of Accretion	(183,312)	
Amortization of Bond Premium	114,905	
Amortization of Bond Discount	(4,354)	
Amortization of Deferred Charge on Refunding	(74,260)	
Total		(140,447)

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	(65,826)	
Vacation Benefits Payable	39,429	
Total		(26,397)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,469,226

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (969,124)

Other financing sources, such as the classroom facilities improvement refunding bonds in the governmental funds increase long-term liabilities in the statement of net position.

Refunding Bonds Issued	(6,614,998)	
Bond Premium	(680,436)	
Total		(7,295,434)

*Change in Net Position of Governmental Activities* (\$1,732,632)

**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, 2015*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$5,782,722	\$5,975,101	\$5,975,101	\$0
Intergovernmental	9,936,755	10,039,169	10,039,169	0
Interest	31,610	16,199	16,199	0
Charges for Services	166,232	166,364	166,364	0
Tuition and Fees	1,164,652	1,336,000	1,336,000	0
Rentals	65,047	69,209	69,209	0
Contributions and Donations	41,185	22,332	22,332	0
Miscellaneous	170,701	284,146	281,973	(2,173)
<i>Total Revenues</i>	<u>17,358,904</u>	<u>17,908,520</u>	<u>17,906,347</u>	<u>(2,173)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,770,458	8,346,744	8,346,744	0
Special	1,857,420	2,053,799	2,053,799	0
Vocational	148,892	146,899	146,899	0
Student Intervention Services	554,560	591,377	591,377	0
Support Services:				
Pupils	826,713	976,367	976,367	0
Instructional Staff	199,096	254,119	254,119	0
Board of Education	11,712	30,164	30,164	0
Administration	1,152,905	1,445,572	1,445,572	0
Fiscal	625,241	584,313	584,313	0
Business	20,980	27,644	27,644	0
Operation and Maintenance of Plant	1,791,347	1,723,810	1,723,810	0
Pupil Transportation	990,776	952,163	952,163	0
Central	324,515	290,073	290,073	0
Extracurricular Activities	366,618	446,363	446,363	0
Operation of Non-Instructional Services:				
Other Non-Instructional Services	290,252	318,047	318,047	0
Capital Outlay	2,016,119	204,840	204,840	0
Debt Service:				
Principal Retirement	0	125,000	125,000	0
Interest and Fiscal Charges	32,557	47,369	47,369	0
<i>Total Expenditures</i>	<u>18,980,161</u>	<u>18,564,663</u>	<u>18,564,663</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,621,257)</u>	<u>(656,143)</u>	<u>(658,316)</u>	<u>(2,173)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	31,995	26	26	0
Advances Out	0	(6,356)	(6,356)	0
Transfers Out	(9,900)	(36,089)	(36,089)	0
<i>Total Other Financing Sources (Uses)</i>	<u>22,095</u>	<u>(42,419)</u>	<u>(42,419)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,599,162)	(698,562)	(700,735)	(2,173)
<i>Fund Balance Beginning of Year</i>	2,595,195	2,595,195	2,595,195	0
Prior Year Encumbrances Appropriated	240,061	240,061	240,061	0
<i>Fund Balance End of Year</i>	<u>\$1,236,094</u>	<u>\$2,136,694</u>	<u>\$2,134,521</u>	<u>(\$2,173)</u>

See accompanying notes to the basic financial statements

**Hubbard Exempted Village School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2015*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$113,746</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>113,746</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, 2015*

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### **Note 1 - Description of the School District and Reporting Entity**

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The School District ranks as the 224<sup>th</sup> largest by enrollment among the 615 public school districts in the State. The Board of Education controls the School District's K-12 campus with 3 separate instructional facilities staffed by 92 classified employees, 127 certified employees and 15 administrators who provide services to 2,034 students in grades K through 12 and other community members.

#### *Reporting Entity*

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

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

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

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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

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

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

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

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

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

#### ***Fund Accounting***

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

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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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

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

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

### **Measurement Focus**

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

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

### **Basis of Accounting**

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

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 16)

***Pensions*** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

### ***Budgetary Data***

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to fiscal year-end, the School District passed an amended appropriation measure which closely matched appropriations to expenditures plus encumbrances in the majority of categories.

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

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

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

During fiscal year 2015, investments were limited to repurchase agreements and mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$17,304, of which \$7,016 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.



## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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### **Restricted Assets**

Assets reported as restricted when limitations on their use change in nature or normal understanding of the availability of the net asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside as unclaimed monies.

### **Inventory**

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

### **Capital Assets**

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

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

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

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

### **Interfund Balances**

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

### **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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

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

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

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

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

### ***Internal Activity***

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

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

### ***Fund Balance***

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

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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance is to cover a gap between estimated resources and appropriations in fiscal year 2016's budget.

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

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

### ***Net Position***

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

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

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

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***Bond Premiums and Discounts***

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

***Estimates***

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

**Note 3 – Fund Balances**

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

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b><i>Nonspendable</i></b>				
Unclaimed Funds	\$34,794	\$0	\$0	\$34,794
<b><i>Restricted for</i></b>				
Classroom Facilities Maintenance	0	0	821,593	821,593
Auxiliary Services	0	0	15,787	15,787
Technology Improvements	0	0	1,524	1,524
Student Instruction	0	0	9,667	9,667
Remedial Reading	0	0	440	440
Debt Service Payments	0	524,370	0	524,370
Capital Improvements	0	0	110,168	110,168
<b><i>Total Restricted</i></b>	<b>\$0</b>	<b>\$524,370</b>	<b>\$959,179</b>	<b>\$1,483,549</b>

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<b><i>Committed to</i></b>				
Underground Storage Unit	\$0	\$0	\$11,000	\$11,000
College Scholarships	0	0	70,095	70,095
<b><i>Total Committed</i></b>	<b>0</b>	<b>0</b>	<b>81,095</b>	<b>81,095</b>
<b><i>Assigned to</i></b>				
Purchases on Order:				
Purchased Services	42,683	0	0	42,683
Fiscal Year 2015 Operations	91,781	0	0	91,781
Other Purposes	41,591	0	0	41,591
<b><i>Total Assigned</i></b>	<b>176,055</b>	<b>0</b>	<b>0</b>	<b>176,055</b>
<b>Unassigned (Deficit)</b>	<b>0</b>	<b>0</b>	<b>(66,615)</b>	<b>(66,615)</b>
<b>Total Fund Balances</b>	<b>\$210,849</b>	<b>\$524,370</b>	<b>\$973,659</b>	<b>\$1,708,878</b>

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support funds are reclassified to the general fund for GAAP Reporting.

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

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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### Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$581,582)
Net Adjustment for Revenue Accruals	(138,365)
Advances In	26
Net Adjustment for Expenditure Accruals	42,143
Perspective Difference:	
Public School Support	26,082
Advances Out	(6,356)
Encumbrances	<u>(42,683)</u>
Budget Basis	<u><u>(\$700,735)</u></u>

## Note 5 – Accountability

### Accountability

Fund balances at June 30, 2015, included the following individual non-major fund deficits:

<b>Special Revenue Funds</b>	
Food Service	\$59,631
Athletics	\$1,723
Title VI-B	5,261

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

## Note 6 - Deposits and Investments

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

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

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

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

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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 (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

### Investments

As of June 30, 2015, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Moody Rating</u>	<u>Percent of Total Investments</u>
Repurchase Agreements	\$1,051,689	Less than one year	Aaa	71.78 %
Invesco Short-term Investments Trust Government & Agency Mutual Funds	<u>413,369</u>	Less than one year	Aaa	28.22
Total Portfolio	<u><u>\$1,465,058</u></u>			

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

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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**Credit Risk.** The Moody's ratings of the School Districts investments are listed in the table above. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk.** The School District places no limit on the amount it may invest in any one issuer.

### **Note 7 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2015 was \$23,503 in the general fund, \$3,981 in the bond retirement fund and \$355 in the classroom facilities fund. The amount available as an advance at June 30, 2014 was \$46,111 in the general fund and \$7,421 in the bond retirement fund and \$656 in the classroom facilities fund.



**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$196,115,010	96.69%	\$196,815,730	96.63%
Public Utility Personal	6,714,290	3.31	6,860,080	3.37
<b>Total</b>	<b>\$202,829,300</b>	<b>100.00%</b>	<b>\$203,675,810</b>	<b>100.00%</b>
 Full Tax Rate per \$1,000 of assessed valuation	 \$58.60		 \$58.60	

**Note 8 - Receivables**

Receivables at June 30, 2015, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title VI-B	\$139,419
Title I	59,430
School Employee Retirement System	26,656
School Foundation FY 2015 Adjustment	20,370
Improving Teacher Quality	12,877
Medicaid Reimbursement	1,527
<b>Total</b>	<b>\$260,279</b>

**Note 9 - Interfund Transfers and Balances**

***Interfund Transfers***

The general fund transferred \$36,089 to the district managed student activity special revenue fund to help fund athletic events and \$40,000 to the permanent improvement capital projects fund to support capital improvements.

***Interfund Balances***

Interfund balances at June 30, 2015, consist of an interfund receivable/payable between the general fund and the food service special revenue fund in the amount of \$5,908 and the reducing class size special revenue fund in the amount of \$448. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Nondepreciable Capital Assets</b>				
Land	\$462,720	\$0	\$0	\$462,720
Construction in Progress	0	162,157	0	162,157
<i>Total Nondepreciable Capital Assets</i>	<u>462,720</u>	<u>162,157</u>	<u>0</u>	<u>624,877</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	5,912,730	0	0	5,912,730
Buildings and Improvements	53,155,595	0	0	53,155,595
Furniture and Fixtures	1,288,765	54,753	0	1,343,518
Vehicles	1,635,032	14,934	(80,825)	1,569,141
<i>Total at Historical Cost</i>	<u>61,992,122</u>	<u>69,687</u>	<u>(80,825)</u>	<u>61,980,984</u>
Less: Accumulated Depreciation				
Land Improvements	(1,322,826)	(296,078)	0	(1,618,904)
Buildings and Improvements	(5,711,565)	(1,655,703)	0	(7,367,268)
Furniture and Fixtures	(530,762)	(169,175)	0	(699,937)
Vehicles	(1,364,394)	(73,463)	80,825	(1,357,032)
<i>Total Accumulated Depreciation</i>	<u>(8,929,547)</u>	<u>(2,194,419) *</u>	<u>80,825</u>	<u>(11,043,141)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>53,062,575</u>	<u>(2,124,732)</u>	<u>0</u>	<u>50,937,843</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$53,525,295</u>	<u>(\$1,962,575)</u>	<u>\$0</u>	<u>\$51,562,720</u>

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

Instruction	
Regular	\$1,740,869
Support Services	
Instructional Staff	101,537
Operation and Maintenance of Plant	13,047
Pupil Transportation	70,847
Extracurricular Activities	234,691
Operation of Non-Instructional Services:	
Food Service Operations	25,720
Other Non-Instructional Services	7,708
Total Depreciation Expense	<u>\$2,194,419</u>

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### Note 11 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Principal Outstanding June 30, 2014	Additions	Deductions	Principal Outstanding June 30, 2015	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2007 Classroom Facilities Improvement Bonds					
Current Interest Serial Bonds 3.60 - 4.00 %	\$1,730,000	\$0	(\$1,265,000)	\$465,000	\$465,000
Capital Appreciation Bonds 4.10 %	203,533	0	0	203,533	0
Accretion on Capital Appreciation Bonds	201,888	40,646	0	242,534	0
Current Interest Term Bonds 4.25 - 5.00 %	5,790,000	0	(5,790,000)	0	0
Premium on Bonds	205,999	0	(188,550)	17,449	0
<b>Total 2007 Classroom Facilities Improvement Bonds</b>	<b>8,131,420</b>	<b>40,646</b>	<b>(7,243,550)</b>	<b>928,516</b>	<b>465,000</b>
2013 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 3.50 %	7,525,000	0	(145,000)	7,380,000	0
Capital Appreciation Bonds 1.25 - 2.15%	69,991	0	0	69,991	27,429
Accretion on Capital Appreciation Bonds	90,150	138,184	0	228,334	122,571
Current Interest Term Bonds 2.75 %	330,000	0	0	330,000	0
Premium on Bonds	1,611,541	0	(77,978)	1,533,563	0
Discount on Bonds	(89,981)	0	4,354	(85,627)	0
<b>Total 2013 Classroom Facilities Improvement Bonds</b>	<b>9,536,701</b>	<b>138,184</b>	<b>(218,624)</b>	<b>9,456,261</b>	<b>150,000</b>
2014 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 4.00 %	0	6,510,000	0	6,510,000	50,000
Current Interest Term Bonds 2.25 %	0	100,000	0	100,000	0
Capital Appreciation Bonds 1.37 %	0	4,998	0	4,998	0
Accretion on Capital Appreciation Bonds	0	4,482	0	4,482	0
Premium on Bonds	0	680,436	(24,809)	655,627	0
<b>Total 2014 Classroom Facilities Improvement Bonds</b>	<b>0</b>	<b>7,299,916</b>	<b>(24,809)</b>	<b>7,275,107</b>	<b>50,000</b>
<b>Total General Obligation Bonds</b>	<b>17,668,121</b>	<b>7,478,746</b>	<b>(7,486,983)</b>	<b>17,659,884</b>	<b>665,000</b>
<b>Other Long-term Obligations</b>					
Net Pension Liability:					
STRS	21,798,987	0	(3,498,864)	18,300,123	0
SERS	5,411,418	0	(806,011)	4,605,407	0
<b>Total Net Pension Liability</b>	<b>27,210,405</b>	<b>0</b>	<b>(4,304,875)</b>	<b>22,905,530</b>	<b>0</b>
2014 Athletics Facilities Lease Purchase Obligation	1,520,000	0	(125,000)	1,395,000	135,000
Compensated Absences	990,697	313,512	(247,686)	1,056,523	264,145
<b>Total Other Long-term Obligations</b>	<b>29,721,102</b>	<b>313,512</b>	<b>(4,677,561)</b>	<b>25,357,053</b>	<b>399,145</b>
<b>Total Governmental Activities</b>					
<i>Long-Term Liabilities</i>	<b>\$47,389,223</b>	<b>\$7,792,258</b>	<b>(\$12,164,544)</b>	<b>\$43,016,937</b>	<b>\$1,064,145</b>

On March 22, 2007, the School District issued \$18,598,533 in voted general obligation classroom facilities improvement bonds which include serial, term and capital appreciation (deep discount) bonds in the amounts of \$5,010,000, \$13,385,000 and \$203,533, respectively. The general obligation classroom facilities

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

improvement bonds were issued for the purpose of providing funding for the construction of three new school buildings on a centralized campus. During fiscal years 2013 and 2015, a portion of the serial and term bonds were retired by the School District through an advance refunding. The original general obligation bonds were issued for a twenty-nine year period with final maturity at December 1, 2034, and after the advance refunding has a final maturity at December 1, 2030.

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

The maturity amount of outstanding capital appreciation bonds is \$515,000. The accretion recorded for fiscal year 2013 was \$40,646, for a total outstanding bond liability of \$446,067 at June 30, 2015.

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

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

The maturity amount of outstanding capital appreciation bonds is \$1,985,000. The accretion recorded for fiscal year 2015 was \$138,184, for a total outstanding bond liability of \$298,325 at June 30, 2015.

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

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

The refunding bonds were sold at a premium of \$1,715,509. Net proceeds of \$9,677,683 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$8,135,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the School District's financial statements.

On October 8, 2013, the School District issued \$1,520,000 lease purchase obligations (LPOs), for use in acquiring, constructing and installing improvements to athletic facilities and equipment. The LPOs issuance included issuance costs of \$20,000. The LPOs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The LPOs have been designated

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Huntington National Bank, and then leased back to the School District. The LPOs were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for ten successive one year term through June 30, 2024, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 3.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date on and after December 1, 2018 by paying the amount necessary to defease the Indenture.

Annual base rent requirements to retire the lease purchase obligations outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$135,000	\$43,144	\$178,144
2017	140,000	38,675	178,675
2018	145,000	34,043	179,043
2019	150,000	29,250	179,250
2020	155,000	24,293	179,293
2021 - 2024	670,000	44,363	714,363
Total	<u>\$1,395,000</u>	<u>\$213,768</u>	<u>\$1,608,768</u>

On December 18, 2014, the School District issued \$6,614,998 in general obligation bonds to refund a portion of 2007 general obligation classroom facilities improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amounts \$6,510,000, \$100,000 and \$4,998, respectively. The bonds were issued for a sixteen period with a final maturity at December 1, 2030.

The capital appreciation bonds were originally sold at a discount of \$300,000. The accretion recorded for fiscal year 2015 was \$4,482, for a total outstanding bond liability of \$9,480 at June 30, 2015.

The term bond matures on December 1, 2023 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 \$100,000
2019	\$20,000
2020	20,000
2021	20,000
2022	<u>20,000</u>
Total Mandatory Sinking Fund Payments	80,000
Amount Due at Stated Maturity	<u>20,000</u>
Total	<u>\$100,000</u>
<i>Stated Maturity</i>	<i>12/1/2023</i>

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

The refunding bonds were sold at a premium of \$680,436. Net proceeds of \$7,176,825 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$6,615,000 of these bonds is considered defeased and the liability for the refunded portion of these bonds has been removed from the School District's financial statements.

The School District decreased its total service payments by \$248,595 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$197,952.

An analysis of the refunding issue follows:

	2007 Classroom Facilities Improvement Bonds
Outstanding at June 30, 2014	\$8,131,420
Amortization of Premium on Refunded Portion	(176,432)
Amount Refunded	<u>(6,615,000)</u>
Non-Refunded Portion	1,339,988
Accretion on Non-Refunded Portion	40,646
Amortization of Premium on Non-Refunded Portion	(12,118)
Principal Payment on Non-Refunded Portion	<u>(440,000)</u>
Outstanding Principal at June 30, 2015	<u><u>\$928,516</u></u>

The general obligation classroom facilities bonds will be paid from the bond retirement debt service fund. The athletics facilities lease purchase obligation will be paid from the general fund. The compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. The School District pays obligations related to employee compensation from the fund benefiting from their service.

The overall debt margin of the School District as of June 30, 2015 was \$3,791,671 with an unvoted debt margin of \$203,676. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds - Classroom Facilities Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$515,000	\$444,008	\$27,429	\$122,571	\$0	\$11,324
2017	40,000	434,158	218,199	446,801	0	11,324
2018	140,000	432,808	12,840	437,160	0	11,324
2019	455,000	427,208	4,192	145,808	0	11,324
2020	0	422,658	10,309	679,691	20,000	11,099
2021 - 2025	2,865,000	1,989,323	5,553	689,447	125,000	48,352
2026 - 2030	4,215,000	1,434,180	0	0	235,000	23,444
2031 - 2035	6,125,000	524,364	0	0	50,000	687
Total	<u>\$14,355,000</u>	<u>\$6,108,707</u>	<u>\$278,522</u>	<u>\$2,521,478</u>	<u>\$430,000</u>	<u>\$128,878</u>

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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### Note 12 - Risk Management

#### *Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Ohio Casualty for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$65,776,281
Fleet Insurance	1,000,000
Uninsured Motorist Accident - per Occurrence	250,000
Aggregate	1,000,000
General Liability - per Occurrence	1,000,000
Aggregate	2,000,000

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

#### *Worker's Compensation*

For fiscal year 2015, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP.

### Note 13 - Jointly Governed Organizations

*Northeast Ohio Management Information Network (NEOMIN)* NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$41,868 to NEOMIN during fiscal year 2015.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Hubbard Exempted Village School District was not represented on the Governing Board during fiscal year 2015. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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***Trumbull County Career and Technical Center*** The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull County Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

### **Note 14 – Related Organization**

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

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

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

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

#### ***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.



## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

### **Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$358,008 for fiscal year 2015. Of this amount \$32,351 is reported as an intergovernmental payable.

### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,111,218 for fiscal year 2015. Of this amount \$155,988 is reported as an intergovernmental payable.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,605,407	\$18,300,123	\$22,905,530
Proportion of the Net Pension Liability	0.090999%	0.0752365%	
Pension Expense	\$266,095	\$703,029	\$969,124

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$39,197	\$176,178	\$215,375
School District contributions subsequent to the measurement date	<u>358,008</u>	<u>1,111,218</u>	<u>1,469,226</u>
Total Deferred Outflows of Resources	<u>\$397,205</u>	<u>\$1,287,396</u>	<u>\$1,684,601</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$747,471</u>	<u>\$3,385,592</u>	<u>\$4,133,063</u>

\$1,469,226 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$176,969)	(\$802,353)	(\$979,322)
2017	(176,969)	(802,353)	(979,322)
2018	(176,969)	(802,353)	(979,322)
2019	<u>(176,369)</u>	<u>(802,353)</u>	<u>(978,722)</u>
Total	<u>(\$707,276)</u>	<u>(\$3,209,412)</u>	<u>(\$3,916,688)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent	
Future Salary Increases, including inflation	4.00 percent to 22 percent	
COLA or Ad Hoc COLA	3 percent	
Investment Rate of Return	7.75 percent net of investments expense, including inflation	
Actuarial Cost Method	Entry Age Normal	

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

## Hubbard Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$6,570,548	\$4,605,407	\$2,952,555

### **Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$26,198,621	\$18,300,123	\$11,620,651

**Note 17 – Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$47,669.

## **Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$69,760, \$70,139 and \$86,895, respectively. For fiscal year 2015, 90.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$77,900, and \$81,869 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

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

### ***Compensated Absences***

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 260 days for regular classified and certified employees. Maximum sick leave accumulation for individuals on administrative contracts varies depending on the number of days in the administrator's work year. Upon retirement, all employees receive payment for one-third of the total sick leave accumulation, up to a maximum of 100 days for classified employees and 100 days for certified employees.

### ***Employee Benefits***

The School District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical, prescription, dental and vision plan through Medical Mutual, which is administered by the Ohio School Benefits Consortium. The traditional plan has a \$300 deductible for single and a \$600 deductible for family. The premiums are set up on a four - tier system.



**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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<u>Premiums By Plan Type</u>	<u>Single</u>	<u>Employee and Spouse</u>	<u>Employee and Child(ren)</u>	<u>Family</u>
Medical Plan	\$568.29	\$1,110.16	\$1,011.64	\$1,553.50
Dental Plan	34.99	60.71	75.14	111.44
Vision Plan	7.62	14.91	15.62	22.54

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

**Note 19 - Contingencies**

***Grants***

The School District 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of the enrollment adjustments to the June 30, 2015 Foundation funding for the School District, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

***Litigation***

As of June 30, 2015, the School District was not party to any legal proceedings.

**Note 20 - Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. On October 27, 2014, the School District's Board of Education passed a resolution to eliminate the budget stabilization reserve of \$66,895.

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

## Hubbard Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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	Capital Improvements Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2014	\$0	\$66,895
Prior Year Carryover	(15,648,524)	0
Current Year Set-aside Requirement	342,706	0
Resolution Removal	0	(66,895)
Total	<u>(\$15,305,818)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$15,063,524)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2015	<u>\$0</u>	<u>\$0</u>

The School District had carryover amounts that reduced the capital improvements set aside amount to below zero. The negative balance being carried forward represents the still outstanding balance on the School District's Schools Facilities Commission bonds.

### Note 21 – Encumbrances

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

<b>Governmental Funds</b>	
General	\$42,683
Other Governmental Funds	<u>20,462</u>
<i>Total Governmental Funds</i>	<u>\$63,145</u>

### Note 22 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. During fiscal year 2015, it was also determined that capital assets were overstated. Amounts included in Construction in Progress were actually already capitalized as a depreciable asset. The implementation of this pronouncement and the capital asset overstatement had the following effect on net position as reported at June 30, 2014:

**Hubbard Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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Net Position June 30, 2014	\$38,627,376
Adjustments:	
Capital Assets	(440,741)
Net Pension Liability	(27,210,405)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,356,311</u>
Restated Net Position June 30, 2014	<u>\$12,332,541</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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## Required Supplementary Information

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**Hubbard Exempted Village School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.090999%	0.090999%
School District's Proportionate Share of the Net Pension Liability	\$4,605,407	\$5,411,418
School District's Covered-Employee Payroll	\$2,644,260	\$2,616,290
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.17%	206.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Hubbard Exempted Village School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.07523651%	0.07523651%
School District's Proportionate Share of the Net Pension Liability	\$18,300,123	\$21,798,987
School District's Covered-Employee Payroll	\$7,634,450	\$8,440,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.70%	258.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Hubbard Exempted Village School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$358,008	\$366,494	\$362,095	\$352,998
Contributions in Relation to the Contractually Required Contribution	<u>(358,008)</u>	<u>(366,494)</u>	<u>(362,095)</u>	<u>(352,998)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,716,300	\$2,644,260	\$2,616,290	\$2,624,520
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%



<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$332,851	\$351,363	\$253,086	\$263,913	\$251,558	\$263,739
<u>(332,851)</u>	<u>(351,363)</u>	<u>(253,086)</u>	<u>(263,913)</u>	<u>(251,558)</u>	<u>(263,739)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,647,976	\$2,595,000	\$2,572,013	\$2,687,500	\$2,355,412	\$2,492,807
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**Hubbard Exempted Village School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,111,218	\$992,479	\$1,097,268	\$1,129,575
Contributions in Relation to the Contractually Required Contribution	<u>(1,111,218)</u>	<u>(992,479)</u>	<u>(1,097,268)</u>	<u>(1,129,575)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$7,937,271	\$7,634,450	\$8,440,523	\$8,689,038
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,182,375	\$1,141,567	\$1,142,080	\$1,106,125	\$1,093,812	\$1,122,079
<u>(1,182,375)</u>	<u>(1,141,567)</u>	<u>(1,142,080)</u>	<u>(1,106,125)</u>	<u>(1,093,812)</u>	<u>(1,122,079)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,095,192	\$8,781,285	\$8,785,231	\$8,508,654	\$8,413,938	\$8,631,377
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
National School Breakfast Program	2014/2015	10.553	\$52,581	\$52,581
National School Lunch Program	2014/2015	10.555	358,577	358,577
<i>Non-Cash Assistance:</i>				
National School Lunch Program	2014/2015	10.555	78,976	78,976
<i>Total Nutrition Cluster</i>			<u>490,134</u>	<u>490,134</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I</i>				
Title I Grants to Local Educational Agencies	2014	84.010	46,766	48,041
Title I Grants to Local Educational Agencies	2015	84.010	268,860	268,852
<i>Total Title I Grants to Local Educational Agencies</i>			<u>315,626</u>	<u>316,893</u>
<i>Special Education (IDEA)</i>				
Special Education Grants to States	2014	84.027	55,541	55,553
Special Education Grants to States	2015	84.027	262,995	262,991
<i>Total Special Education Grants to States</i>			<u>318,536</u>	<u>318,544</u>
<i>Improving Teacher Quality State Grants Title II, Part A</i>				
Improving Teacher Quality State Grants	2014	84.367	9,189	9,203
Improving Teacher Quality State Grants	2015	84.367	59,259	59,707
<i>Total Improving Teacher Quality State Grants</i>			<u>68,448</u>	<u>68,910</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>702,610</b></u>	<u><b>704,347</b></u>
<b>TOTALS</b>			<u><b>\$1,192,744</b></u>	<u><b>\$1,194,481</b></u>

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2016, wherein we noted the District has adopted Governmental Accounting Standards Board Statement No. 68 and No. 71.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

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

***Purpose of this Report***

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



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

April 25, 2016





# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

We have audited the Hubbard Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Hubbard Exempted Village School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

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

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

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the Hubbard Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



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

April 25, 2016

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
June 30, 2015**

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

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

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

**1. Bank Reconciliations**

<i>Finding Number</i>	2015-001
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SIGNIFICANT DEFICIENCY

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

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

The former Treasurer did not properly reconcile the District's bank balances to the accounting system book balances each month. Only four months were reconciled properly and to a zero variance between bank and accounting system balances.

We also noted the following:

- At June 30, 2015, the former Treasurer's reconciliation presented the same total balances for the District's bank accounts and accounting system. However, we noted ten unsupported adjustments made to the General Fund's miscellaneous receipts account code throughout the year totaling \$(3,725). The former Treasurer made adjustments to the accounting system instead of properly balancing the accounting system to the bank balances. As a result, of these unsupported adjustments, the District was not properly reconciled as of June 30, 2015.
- The District closed out the Sontag Scholarship Fund bank account in fiscal year 2015 and transferred the balance to the District's general checking account. It appears as though the District was not properly reconciling the bank account to the Sontag fund's system balance and was not posting the activity properly. The Sontag account existed for five years and during that time we noted its corresponding receipts and expenses were not always being placed in the proper bank account. When the Sontag bank account was transferred to the general checking account, the former treasurer posted a negative receipt to the General Fund's miscellaneous receipts account code, which is included in the unsupported system adjustments noted above for \$(3,725).

There was no indication that the monthly adjustments made by the former Treasurer were presented to the Board for review or approval.

Unreconciled bank to book balances, in addition to uncorrected reconciling items, and lack of review can potentially lead to misstated book balances and could lead to possible theft or errors without the timely detection by management. The District should take steps to help ensure all accounts are reconciled on a monthly basis and any unreconciled variances are investigated and corrected in a timely manner. The District should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by the Board of Education. As a monitoring control, the monthly bank reconciliation and any fund balance adjustments should be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

**Official's Response:** The current treasurer reconciles accounts each month and will provide the Board of Education with a monthly reconciliation report.

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



# Dave Yost • Auditor of State

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 24, 2016