HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Hubbard Exempted Village School District, Trumbull County, (the District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hubbard Exempted Village School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2000 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 10, 2000

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS:										
Equity in pooled cash and cash equivalents	$103,659	$145,460	$14,254	$643,961	$81,158	$10,150	$63,202			$1,061,844
Cash with fiscal agent						4,779				4,779
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent	4,627,701	1,272,935	194,794							6,095,430
Accounts	8,625	734			13	580				9,952
Advances to other funds	2,996									2,996
Prepayments	12,299									12,299
Materials and supplies inventory					21,681					21,681
Restricted assets:										
Equity in pooled cash and cash equivalents	167,413									167,413
Property, plant and equipment (net of accumulated depreciation where applicable)					80,730			$11,932,342		12,013,072
OTHER DEBITS:										
Amount available in debt service fund									$14,254	14,254
Amount to be provided for retirement of general long-term obligations									1,896,166	1,896,166
Total assets and other debits	$4,922,693	$1,419,129	$209,048	$643,961	$183,582	$15,509	$63,202	$11,932,342	$1,910,420	$21,299,886

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THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	$15,624	$16,326		$111,956	$2,130					$146,036
Accrued wages and benefits	1,095,850	32,233			23,251					1,151,334
Compensated absences payable	74,096				18,524				$1,111,542	1,204,162
Pension obligation payable	193,422	4,452			14,804				123,580	336,258
Advances from other funds		1,107			1,889					2,996
Deferred revenue	4,607,186	1,272,935	$194,794		13,795					6,088,710
Due to students							$57,036			57,036
Claims payable						$212,071				212,071
Energy conservation notes payable									675,298	675,298
Total liabilities	5,986,178	1,327,053	194,794	111,956	74,393	212,071	57,036		1,910,420	9,873,901
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								$11,932,342		11,932,342
Contributed capital					28,837					28,837
Retained earnings (accumulated deficit): unreserved					80,352	(196,562)				(116,210)
Fund balances:										
Reserved for encumbrances	25,489	43,614		86,981						156,084
Reserved for prepayments	12,299									12,299
Reserved for debt service			14,254							14,254
Reserved for tax revenue unavailable for appropriation	20,515									20,515
Reserved for budget stabilization	167,413									167,413
Reserved for advances	2,996									2,996
Unreserved-undesignated (deficit)	(1,292,197)	48,462		445,024			6,166			(792,545)
Total equity and other credits	(1,063,485)	92,076	14,254	532,005	109,189	(196,562)	6,166	11,932,342		11,425,985
Total liabilities, equity and other credits	$4,922,693	$1,419,129	$209,048	$643,961	$183,582	$15,509	$63,202	$11,932,342	$1,910,420	$21,299,886

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$4,018,610	$1,110,523	$219,302			$5,348,435
Tuition	19,934					19,934
Earnings on investments	56,598	1,815			$312	58,725
Other local revenues	250,474	115,202				365,676
Other revenues					480	480
Intergovernmental - State	7,439,153	334,373		$671,371		8,444,897
Intergovernmental - Federal		287,023				287,023
Total revenue	11,784,769	1,848,936	219,302	671,371	792	14,525,170
Expenditures:						
Current:						
Instruction:						
Regular	6,045,955	25,751		46,773	1,953	6,120,432
Special	888,453	204,653			480	1,093,586
Vocational	245,946					245,946
Other	117,839					117,839
Support services:						
Pupil	694,222	13,301				707,523
Instructional staff	728,668	69,483				798,151
Board of Education	25,594					25,594
Administration	929,143	4,050				933,193
Fiscal	300,147	18,861				319,008
Business	24,907					24,907
Operations and maintenance	1,577,244					1,577,244
Pupil transportation	721,222					721,222
Central	12,105	1,400				13,505
Community services	144,112	80,120				224,232
Extracurricular activities	243,988	97,589				341,577
Facilities services	181,324			177,810		359,134
Pass through intergovernmental		105,772				105,772
Debt service:						
Principal retirement			162,675			162,675
Interest and fiscal charges			56,627			56,627
Total expenditures	12,880,869	620,980	219,302	224,583	2,433	13,948,167
Excess (deficiency) of revenues over (under) expenditures	(1,096,100)	1,227,956	0	446,788	(1,641)	577,003
Other financing sources (uses):						
Operating transfers in	1,241,590					1,241,590
Operating transfers out	(23,507)	(1,224,775)				(1,248,282)
Other financing source	25					25
Proceeds from sale of assets	657	2,300				2,957
Total other financing sources (uses)	1,218,765	(1,222,475)				(3,710)
Excess (deficiency) of revenues and other financing sources over (under) expenditures & other financing uses	122,665	5,481	0	446,788	(1,641)	573,293
Fund balances (deficit), July 1	(1,186,150)	86,595	14,254	85,217	7,807	(992,277)
Fund balances (deficit), June 30	**($1,063,485)**	**$92,076**	**$14,254**	**$532,005**	**$6,166**	**($418,984)**

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,1999

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	$4,075,897	$4,078,095	$2,198	$1,109,917	$1,110,522	$605	$219,302	$219,302	$0				$5,405,116	$5,407,919	$2,803
Tuition	19,923	19,934	11										19,923	19,934	11
Earnings on investments	56,568	56,598	30	1,815	1,816	1							58,383	58,414	31
Other local revenues	153,294	153,377	83	106,415	106,473	58							259,709	259,850	141
Intergovernmental - State	7,435,145	7,439,154	4,009	334,191	334,373	182				$671,371	$671,371	$0	8,440,707	8,444,898	4,191
Intergovernmental - Federal				266,867	267,023	156							266,867	267,023	156
Total revenues	11,740,828	11,747,158	6,330	1,839,204	1,840,207	1,003	219,302	219,302	0	671,371	671,371	0	14,470,704	14,478,038	7,334
Expenditures:															
Current:															
Instruction:															
Regular	6,099,964	6,099,964	0	24,591	25,711	(1,120)				48,184	48,184	0	6,172,739	6,173,859	(1,120)
Special	870,170	870,170	0	218,769	203,868	14,901							1,088,959	1,074,058	14,901
Vocational	251,827	251,827	0										251,827	251,827	0
Other	119,596	119,596	0										119,596	119,596	0
Support services:															
Pupil	701,883	701,883	0	25,851	17,314	8,537							727,734	719,197	8,537
Instructional staff	715,087	715,087	0	89,071	69,070	20,001							804,158	784,157	20,001
Board of Education	28,033	28,033	0										28,033	28,033	0
Administration	931,994	931,994	0	0	4,050	(4,050)							931,994	936,044	(4,050)
Fiscal	297,576	297,576	0	18,861	18,861	0							316,437	316,437	0
Business	25,008	25,008	0										25,008	25,008	0
Operations and maintenance	1,610,046	1,610,046	0										1,610,046	1,610,046	0
Pupil transportation	793,757	750,062	43,695										793,757	750,062	43,695
Central	11,655	11,655	0	1,400	1,400	0							13,055	13,055	0
Community services	144,135	144,135	0	230,450	217,493	12,957							374,585	361,628	12,957
Extracurricular activities	233,457	233,457	0	131,060	110,402	20,658							364,517	343,859	20,658
Facilities acquisition & construction	181,324	181,324	0							120,159	317,684	(197,525)	301,483	499,008	(197,525)
Pass-through intergovernmental													0	0	0
Debt service:															
Principal retirement							162,707	162,707	0				162,707	162,707	0
Interest and fiscal charges							56,595	56,595	0				56,595	56,595	0
Total expenditures	13,015,512	12,971,917	43,695	740,079	668,169	71,884	219,302	219,302	0	168,343	365,868	(197,525)	14,143,230	14,225,176	(81,946)
Excess (deficiency) of revenues over (under) expenditures	(1,274,684)	(1,224,659)	50,025	1,099,131	1,172,018	72,887	0	0	0	503,028	305,503	(197,525)	327,474	252,862	(74,612)
Other financing sources (uses):															
Refund of prior year's expenditures	115,314	115,376	62	8,075	8,080	4							123,389	123,456	67
Operating transfers in	1,341,384	1,342,107	723										1,341,384	1,342,107	723
Operating transfers out	(124,025)	(124,025)	0	(1,224,775)	(1,224,775)	0							(1,348,800)	(1,348,800)	0
Other financing source	25	25	0										25	25	0
Proceeds from sale of assets	657	657	0	2,299	2,300	1							2,955	2,957	2
Total other financing sources (uses)	1,333,354	1,334,140	786	(1,214,401)	(1,214,395)	6							118,954	119,745	791
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	58,670	109,481	50,811	(115,270)	(42,377)	72,893	0	0	0	503,028	305,503	(197,525)	446,428	372,607	(73,821)
Fund balances, July 1	90,874	90,874	0	114,276	114,276	0	14,255	14,255	0	99,277	99,277	0	318,682	318,682	0
Prior year encumbrances appropriated	29,605	29,605	0	13,622	13,622	0	0	0	0	40,244	40,244	0	83,471	83,471	0
Fund balances, June 30	$179,149	$229,960	$50,811	$12,628	$85,521	$72,893	$14,255	$14,255	$0	$642,549	$445,024	($197,525)	$848,581	$774,760	($73,821)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Operating revenues:			
Tuition and fees	$19,539		$19,539
Sales/charges for services	316,545	$1,075,534	1,392,079
Other operating revenues		116,936	116,936
Total operating revenues	336,084	1,192,470	1,528,554
Operating expenses:			
Personal services	274,181	111,537	385,718
Contract services	9,918		9,918
Materials and supplies	349,995		349,995
Depreciation	12,071		12,071
Claims expense		1,105,230	1,105,230
Total operating expenses	646,165	1,216,767	1,862,932
Operating loss	(310,081)	(24,297)	(334,378)
Nonoperating revenues:			
Operating grants	219,334		219,334
Federal commodities	45,954		45,954
Interest revenue	851	454	1,305
Total nonoperating revenues	266,139	454	266,593
Net loss before operating transfers	(43,942)	(23,843)	(67,785)
Operating transfers in	23,507		23,507
Operating transfers out		(16,815)	(16,815)
Net loss	(20,435)	(40,658)	(61,093)
Retained earnings (accumulated deficit), July 1	100,787	(155,904)	(55,117)
Retained earnings (accumulated deficit), June 30	**$80,352**	**($196,562)**	**($116,210)**

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	$19,541		$19,541
Cash received from sales/service charges	316,545	$1,075,609	1,392,154
Cash received from other operations		116,936	116,936
Cash payments for personal services	(270,559)	(111,537)	(382,096)
Cash payments for contract services	(9,918)		(9,918)
Cash payments for materials and supplies	(299,448)		(299,448)
Cash payments for claims expenses		(1,076,782)	(1,076,782)
Net cash provided by (used in) operating activities	(243,839)	4,226	(239,613)
Cash flows from noncapital financing activities:			
Cash received from operating grants	219,334		219,334
Cash received from interfund transfers	23,507		23,507
Cash payments used in interfund transfers		(16,815)	(16,815)
Net cash provided (used in) by noncapital financing activities	242,841	(16,815)	226,026
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(36,816)		(36,816)
Net cash used in capital and related financing activities	(36,816)		(36,816)
Cash flows from investing activities:			
Interest received	851	454	1,305
Net cash provided by investing activities	851	454	1,305
Net decrease in cash and cash equivalents	(36,963)	(12,135)	(49,098)
Cash and cash equivalents at beginning of year	118,121	27,064	145,185
Cash and cash equivalents at end of year	$81,158	$14,929	$96,087
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	($310,081)	($24,297)	($334,378)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	12,071		12,071
Federal donated commodities	45,954		45,954
Changes in assets and liabilities:			
Decrease in supplies inventory	3,515		3,515
Decrease in accounts receivable	2	75	77
Increase in accounts payable	248		248
Increase in accrued wages & benefits	2,170		2,170
Increase in compensated absences payable	3,943		3,943
Decrease in pension obligation payable	(2,491)		(2,491)
Increase in claims payable		28,448	28,448
Increase in deferred revenue	830		830
Net cash provided by (used in) operating activities	($243,839)	$4,226	($239,613)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Hubbard Exempted Village School District ("District") is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

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

The District ranks as the 225th largest by enrollment among the 612 districts in the State. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 90 non-certified employees, 160 certified employees and 7 administrators to provide services to approximately 2,420 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity

Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District. The following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)
NEOMIN is a jointly governed organization among twenty-eight school districts and two county boards of education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NEOMIN based upon a per pupil charge dependent upon the software package utilized. The District remitted $20,502 to NEOMIN in 1999. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NEOMIN as a residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. Complete financial statements for the NEOMIN may be obtained from the administrative offices at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center (NEOIMC)
NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing a quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC)
NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan
The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP was established under section 4123.29 of the Ohio Revised Code. 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.

RELATED ORGANIZATION

Hubbard Parks and Recreation
The Board of Education appoints citizens to the Parks and Recreation Board when there are vacancies. This is the Board of Education's only involvement with the Board of Parks and Recreation.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Expendable Trust Fund - The expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets when both the principal and interest may be spent.

Agency Funds - The agency funds are custodial in nature and do not involve results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals, which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include interest, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.

3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30,1999.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

   Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11 to the financial statements.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio and repurchase agreements. 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, expendable trust fund, student activity fund, food service fund, employee benefits self-insurance fund which are individually authorized by board resolution. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	Interest Actually Received	Interest Based Upon Share of Investments	Interest Assigned By Other Funds
General Fund	$56,598	$12,687	$43,911
Special Revenue Funds			
District Managed Student Activity	624	363	261
Internal Service Funds			
Employee Benefits Self-Insurance	454	333	121

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. *Proprietary Funds*

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture, fixtures and minor equipment	5 - 20

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
School Bus Purchase Program

Special Revenue Fund
Education Management Information Systems (EMIS)

Non-Reimbursable Grants

Special Revenue Funds
Auxiliary Services
Teacher Development
Disadvantaged Pupil Impact Aid
Title VI-B
Title I
Title VI
Instructional Materials Subsidy
1999 Literacy Grant

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-Reimbursable Grants - (Continued)

Capital Project Fund
School Net

Reimbursable Grants

General Fund
Driver Education Reimbursement

Capital Projects Fund
Vocational Equipment

Enterprise Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 55% of the District's operating revenue during the 1999 fiscal year.

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty years of age, with at least ten years of service, or twenty years of service at any age were included.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary Funds is recorded as an expense when earned.

J. Long-Term Obligations

Long term debt is recognized as a liability of a government fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Contributed capital is recorded in propriety funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, advances to other funds, debt service, prepayments, budget stabilization and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

L. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transaction are accounted for as revenues, expenditures or expenses.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 1999.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had long-term advances receivable and payable at June 30, 1999.

See Note 5 for an analysis of interfund transactions.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 16 for detail of statutory reserves.

N. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

O. Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balance/Retained Earnings

	Deficit Balance
General Fund	$(1,063,485)
Special Revenue Funds	
Management Information System	(86)
Disadvantaged Pupil Impact Aid	(383)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE(Continued)

A. Deficit Fund Balance/Retained Earnings

	Deficit Balance
Title VI-B	(6,197)
Title I	(19,220)
Capital Project Funds	
Permanent Improvement	(86,952)
Internal Service Funds	
Employee Benefits Self-Insurance	(254,819)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the general fund is a result of accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balances in the Disadvantaged Pupil Impact Aid, Management Information Systems, Title VI-B and the Title I special revenue funds are caused by accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit balance in the Employee Benefits Self-Insurance internal service fund is caused by accruing claims payable in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

B. Agency Fund

The following is an accrual for the agency fund which, in other fund types, would be recognized in the combined balance sheet:

Assets	
Accounts receivable	$1,530
Liabilities	
Accounts payable	$41

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 1999 was $4,779.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits was $(6,454) and the bank balance was $30,184. The District did not record a liability due to the "zero balance" nature of the account. The entire bank balance was covered by federal depository insurance. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	Category 3	Reported Amount	Fair Value
Repurchase agreement	$1,154,242	$1,154,242	$1,154,242
Investment in STAR Ohio		81,469	81,469
Total investments		$1,235,711	$1,235,711

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
Per GASB Statement No. 9	$ 1,234,036	$ 0
Cash with fiscal agent	(4,779)	- - -
Investments of the cash management pool:		
Repurchase agreement	(1,154,242)	1,154,242
Investment in STAR Ohio	(81,469)	81,469
Per GASB Statement No. 3	$ (6,454)	$1,235,711

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's long-term advances receivables and payables at June 30, 1999:

	Advances To Other Funds	Advances From Other Funds
General Fund	$2,996	$ - - -
Special Revenue Funds		
Title VI	- - -	1,107
Enterprise Funds		
Food Service	- - -	1,889
Total	$2,996	$ 2,996

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	Transfers In	Transfers Out
General Fund	$1,241,590	$ 23,507
Special Revenue Funds		
Emergency Levy	---	1,224,775
Enterprise Funds		
Uniform School Supplies	23,507	---
Internal Service Funds		
Intra-District Services	---	16,815
Total	$1,265,097	$ 1,265,097

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies (50% of market) and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was $155,783,098. Agricultural/residential and public utility real estate represented $107,164,130 or 68.8% of this total; Commercial/ industrial real estate represented $20,502,280 or 13.2% of this total; public utility tangible represented $8,567,430 or 5.5% of this total and general tangible property represented $19,549,258 or 12.5%. The voted general tax rate for operations during the period was $49.70 per $1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Trumbull County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of $20,515 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, long-term interfund loans and accounts (rent and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current & delinquent	$4,627,701
Accounts	8,625
Special Revenue Funds	
Taxes - current & delinquent	1,272,935
Debt Service Fund	
Taxes - current	194,794

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance July 1, 1998	Increases	Decreases	Balance June 30, 1999
Land/improvements	$ 1,308,488	$ 21,240	$ - - -	$ 1,329,728
Buildings/improvements	6,228,745	239,735	- - -	6,468,480
Furniture/equipment	2,745,151	105,134	(1,401)	2,848,884
Vehicles	963,769	- - -	(56,160)	907,609
Construction in progress	364,416	77,130	(63,905)	377,641
Total	$11,610,569	$443,239	$(121,466)	$11,932,342

NOTE 8 - FIXED ASSETS - (Continued)

The construction in progress represents soccer field renovations and building repairs. The projects will be completed in fiscal 2000.

A summary of the proprietary fixed assets at June 30, 1999 follows:

Furniture and equipment	$ 355,976
Less: accumulated depreciation	(275,246)
Net fixed assets	$ 80,730

NOTE 9 - LONG-TERM OBLIGATIONS

In a prior fiscal year, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the general long-term obligations account group.

A. The following is a description of the District's notes outstanding as of June 30, 1999:

Purpose	Interest Rates	Issue Date	Maturity Date	Balance 06/30/98	Retired 1999	Balance 06/30/99
Energy Conservation Note	8.00%	08/31/88	08/31/98	$ 8,850	$ (8,850)	$ 0
Energy Conservation Note	5.10%	08/30/93	06/01/03	535,000	(95,000)	440,000
Energy Conservation Note	5.75%	09/10/93	06/30/03	294,123	(58,825)	235,298
Total				$ 837,973	$(162,675)	$675,298

B. The following is a summary of the District's future annual debt service requirements to maturity for energy conservation notes:

Year Ending June 30,	Principal on energy conservation notes	Interest on energy conservation notes	Total
2000	$ 158,825	$ 35,969	$ 194,794
2001	163,825	27,487	191,312
2002	173,824	18,749	192,573
2003	178,824	9,502	188,326
Total	$ 675,298	$ 91,707	$ 767,005

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Compensated absences	$ 917,840	$ 193,702	$ ---	$ 1,111,542
Pension obligation payable	123,141	123,580	(123,141)	123,580
Energy conservation notes payable	837,973	---	(162,675)	675,298
TOTAL	$1,878,954	$ 317,282	$(285,816)	$1,910,420

D. *Legal Debt Margin*

The Ohio Revised Code provides that the total net indebtedness of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of $14,034,733 (including available funds of $14,254) and an unvoted debt margin of $155,783.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The 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. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles and liability. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents are fully insured with a liability limit of $34,074,775 and a deductible of $1,000.

The District's fleet insurance coverage has a bodily injury liability of $1,000,000 for each accident and $300,000 for each person. The property damage liability is 250,000.

The District's liability policy has a liability limit of $1,000,000 for each occurrence and $1,000,000 aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Employee Benefits Self-Insurance

The 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. The District has established an employee benefits self-insurance fund in the internal service fund type to account for and finance its uninsured risks of loss. Under this program, the self-insurance fund provides coverage for up to a maximum of $40,000 for each health insurance claim. The District purchases commercial insurance for claims in excess of coverage provided by this fund. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payment to the employee benefits self-insurance fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The liability for unpaid claims of $212,071 reported in the internal service fund at June 30, 1999, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in the claims liability for the past two fiscal years follows:

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
1998 - 1999	$183,623	$1,105,230	$(1,076,782)	$212,071
1997 - 1998	$140,146	$1,051,411	$(1,007,934)	$183,623

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). 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 Ohio School Boards Association. 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 10. - RISK MANAGEMENT - (Continued)

C. Worker's Compensation

The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating revenue	$ 285,412	$ 50,672	$ 336,084
Depreciation	12,071	- - -	12,071
Operating loss	(278,306)	(31,775)	(310,081)
Operating grants	219,334	- - -	219,334
Operating transfers in	- - -	23,507	23,507
Net loss	(12,167)	(8,268)	(20,435)
Net working capital	2,578	42,630	45,208
Total assets	138,822	44,760	183,582
Total liabilities	74,299	2,130	76,429
Total fund equity	64,523	42,630	107,153
Encumbrances at 6/30/99	249	3,739	3,988

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued

A. School Employees Retirement System

established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999, 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $318,457, $239,894, and $247,530, respectively; 53 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $148,638 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were $943,609, $910,765, and $866,472, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $152,380 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, two members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998 the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled $539,205 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were $219.224 million and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were $111.9 million and the target level was $139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of $160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $154,277 during the 1999 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$ 109,481	$(42,377)	$ 0	$305,503
Net adjustment for revenue accruals	37,611	8,729	---	---
Net adjustment for expenditure accruals	(49,835)	(12,731)	---	(57,652)
Net adjustment for other sources/(uses)	(115,375)	(8,080)	---	---
Adjustment for encumbrances	41,113	59,940	---	198,937
GAAP basis	$ 122,665	$ 5,481	$ 0	$446,788

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the total District. During the fiscal year ended June 30, 1999, the District received $6,837,212 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine that effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 1998	$ 0	$ 0	$ 66,895
Current year set-aside requirement	201,037	201,037	100,518
Current year offsets	(34,644)	---	---
Qualifying disbursements	(175,713)	(248,181)	---
Total	$ (9,320)	$ (47,144)	$167,413
Cash balance carried forward to FY 2000	$ 0	$ 0	$167,413

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	$167,413
Total restricted assets	$167,413

NOTE 17 - CONTRIBUTED CAPITAL

Contributed capital for the year ended June 30, 1999 are summarized by source as follows:

	Food Service
Contributed capital, July 1, 1998	$28,837
Current contributions from other funds	---
Contributed capital, June 30, 1999	$28,837

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550		$45,445		$45,953
National School Breakfast Program	05-PU-98	10.553	$2,828		$2,828	
	05-PU-99		22,586		22,586	
Subtotal - Breakfast Program			25,414		25,414	
National School Lunch Program	03-PU-98	10.555	4,360		4,360	
	03-PU-99		30,423		30,423	
	04-PU-98		16,661		16,661	
	04-PU-99		128,844		128,844	
Subtotal - Lunch Program			180,288		180,288	
Total U.S. Department of Agriculture - Nutrition Cluster			205,702	45,445	205,702	45,953
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Passed Through State Library of Ohio:						
Library Services and Technology Act	II 16-E-2-98	45.310	13,719		13,719	
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-98	84.010	32,229		29,543	
	C1-S1-99		157,042		152,949	
Subtotal - Title I			189,271		182,492	
Special Education Grants to States (IDEA Part B)	6B-SF-96	84.027			507	
	6B-SF-97		6,456		6,068	
	6B-SF-98		81,391		81,391	
Subtotal - Title VI-B			87,847		87,966	
Goals 2000	G2-S2-99	84.276	5,000		5,000	
Innovative Educational Program Strategies	C2-S1-98	84.298			5,299	
	C2-S1-99		9,905		103	
Subtotal - Innovative Ed. Program Strategies			9,905		5,402	
Total Department of Education			292,023		280,860	
Total Federal Assistance			**$511,444**	**$45,445**	**$500,281**	**$45,953**

The notes to the federal awards expenditures are an integral part of this schedule

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of Hubbard Exempted Village School District, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated March 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 1999-11178-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 10, 2000.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 10, 2000

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

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

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

To the Board of Education:

Compliance

We have audited the compliance of Hubbard Exempted Village School District, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 10, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Nutrition Cluster (CFDA #'s - 10.550; 10.553; 10.555)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

Finding Number	1999-11178-001

Finding for Recovery

The District had agreed to pay its teaching personnel for the school year 1998-99 based upon the salary schedule contained in Section XXI of the Agreement Between the Hubbard Education Association and Hubbard Exempted Village School District signed November 23, 1998. In accordance with Ohio Rev. Code Sections 3317.13 and 3317.14, the District had placed a teacher, Anna Schupp, on this salary schedule at six (6) years experience with a masters degree, or, $32,815. However, during the course of our audit, it was discovered that Anna Schupp was actually paid according to the salary schedule at six (6) years experience with a masters degree plus 30 credit hours, or, $34,068. The difference between the salary entitled and the salary paid amounted to $1,253.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies is issued against Anna Schupp, and in favor of Hubbard Exempted Village School District, in the amount of $1,253.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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.

By: Susan Babbitt

Date: MAR 28 2000