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STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2002, 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 auditing standards generally accepted in the United States of America 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, Trumbull County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 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. We subjected this information 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 10, 2003

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 1,383,127	\$ 282,914	\$ 83,233	\$ 202,206
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	7,793,385	-	404,011	-
Accounts	64	-	-	-
Accrued interest	405	-	-	-
Due from other governments	1,208	15,385	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	7,763	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	66,895	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 9,252,847</u>	<u>\$ 298,299</u>	<u>\$ 487,244</u>	<u>\$ 202,206</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 82,422	\$ 7,477	\$ -	\$ 21,282
Accrued wages and benefits	1,249,533	32,881	-	-
Compensated absences payable	31,770	-	-	-
Early retirement incentive payable	15,000	-	-	-
Pension obligation payable	212,878	7,342	-	-
Deferred revenue	7,760,172	15,385	402,289	-
Due to other governments	51,650	1,175	-	-
Due to students	-	-	-	-
Energy conservation notes payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	<u>9,403,425</u>	<u>64,260</u>	<u>402,289</u>	<u>21,282</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	1,334	19,744	-	16,937
Reserved for prepayments	7,763	-	-	-
Reserved for debt service	-	-	83,233	-
Reserved for tax revenue unavailable for appropriation	33,213	-	1,722	-
Reserved for BWC refunds	66,895	-	-	-
Designated for budget stabilization	104,105	-	-	-
Unreserved-undesignated	(363,888)	214,295	-	163,987
Total equity and other credits	<u>(150,578)</u>	<u>234,039</u>	<u>84,955</u>	<u>180,924</u>
Total liabilities, equity and other credits	<u>\$ 9,252,847</u>	<u>\$ 298,299</u>	<u>\$ 487,244</u>	<u>\$ 202,206</u>

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

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 93,562	\$ 131,564	\$ 100,320	\$ -	\$ -	\$ 2,276,926
-	-	-	-	-	8,197,396
-	-	-	-	-	64
22	-	-	-	-	427
33,392	-	-	-	-	49,985
13,684	-	-	-	-	13,684
-	-	-	-	-	7,763
-	-	-	-	-	66,895
31,891	-	-	12,236,008	-	12,267,899
-	-	-	-	84,955	84,955
-	-	-	-	2,673,151	2,673,151
<u>\$ 172,551</u>	<u>\$ 131,564</u>	<u>\$ 100,320</u>	<u>\$ 12,236,008</u>	<u>\$ 2,758,106</u>	<u>\$ 25,639,145</u>
\$ 1,926	\$ -	\$ -	\$ -	\$ -	\$ 113,107
32,804	-	-	-	-	1,315,218
12,889	-	-	-	1,096,346	1,141,005
-	-	-	-	45,000	60,000
17,371	-	-	-	137,936	375,527
-	-	-	-	-	8,177,846
1,262	-	8,572	-	-	62,659
-	-	64,527	-	-	64,527
-	-	-	-	-	178,824
-	-	-	-	1,300,000	1,300,000
<u>66,252</u>	<u>-</u>	<u>73,099</u>	<u>-</u>	<u>2,758,106</u>	<u>12,788,713</u>
-	-	-	12,236,008	-	12,236,008
28,837	-	-	-	-	28,837
77,462	131,564	-	-	-	209,026
-	-	-	-	-	38,015
-	-	-	-	-	7,763
-	-	-	-	-	83,233
-	-	-	-	-	34,935
-	-	-	-	-	66,895
-	-	-	-	-	104,105
-	-	27,221	-	-	41,615
<u>106,299</u>	<u>131,564</u>	<u>27,221</u>	<u>12,236,008</u>	<u>-</u>	<u>12,850,432</u>
<u>\$ 172,551</u>	<u>\$ 131,564</u>	<u>\$ 100,320</u>	<u>\$ 12,236,008</u>	<u>\$ 2,758,106</u>	<u>\$ 25,639,145</u>

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 5,919,350	\$ -	\$ 338,378	\$ -	\$ -	\$ 6,257,728
Earnings on investments	66,994	749	1,113	-	-	68,856
Extracurricular activities	-	128,599	-	-	-	128,599
Other local revenues	137,364	36,742	-	-	19,597	193,703
Other revenue	-	2,423	-	-	-	2,423
Intergovernmental - State	9,508,558	128,396	20,972	73,720	-	9,731,646
Intergovernmental - Federal	-	481,570	-	-	-	481,570
Total revenue	<u>15,632,266</u>	<u>778,479</u>	<u>360,463</u>	<u>73,720</u>	<u>19,597</u>	<u>16,864,525</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,929,309	47,903	-	72,678	2,636	7,052,526
Special	678,045	273,770	-	-	-	951,815
Vocational	250,689	-	-	-	-	250,689
Other	281,567	-	-	-	-	281,567
Support services:						
Pupil	747,669	1,833	-	-	2,400	751,902
Instructional staff	986,756	30,257	-	-	-	1,017,013
Board of Education	17,586	-	-	-	-	17,586
Administration	921,019	2,209	-	-	-	923,228
Fiscal	376,290	8,503	-	-	-	384,793
Business	30,905	-	-	-	-	30,905
Operations and maintenance	1,613,482	-	-	-	-	1,613,482
Pupil transportation	761,533	37,908	-	30,061	-	829,502
Central	108,236	-	-	11,284	-	119,520
Community services	144,105	16,480	-	-	-	160,585
Extracurricular activities	354,523	161,785	-	-	-	516,308
Facilities acquisition and construction	-	-	-	46,661	-	46,661
Pass through intergovernmental	-	103,417	-	-	-	103,417
Debt service:						
Principal retirement	-	-	1,673,824	-	-	1,673,824
Interest and fiscal charges	-	-	109,070	-	-	109,070
Total expenditures	<u>14,201,714</u>	<u>684,065</u>	<u>1,782,894</u>	<u>160,684</u>	<u>5,036</u>	<u>16,834,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,430,552</u>	<u>94,414</u>	<u>(1,422,431)</u>	<u>(86,964)</u>	<u>14,561</u>	<u>30,132</u>
Other financing sources (uses):						
Operating transfers in	-	36,425	-	240,000	-	276,425
Operating transfers out	(287,804)	-	-	-	-	(287,804)
Premium and accrued interest on sale of bonds	-	-	4,011	-	-	4,011
Proceeds from sale of bonds	-	-	1,400,000	-	-	1,400,000
Proceeds from sale of fixed assets	502	438	-	-	-	940
Total other financing sources (uses)	<u>(287,302)</u>	<u>36,863</u>	<u>1,404,011</u>	<u>240,000</u>	<u>-</u>	<u>1,393,572</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	1,143,250	131,277	(18,420)	153,036	14,561	1,423,704
Fund balances (deficit), July 1	(1,293,828)	102,762	103,375	27,888	12,660	(1,047,143)
Fund balances (deficit), June 30	<u>\$ (150,578)</u>	<u>\$ 234,039</u>	<u>\$ 84,955</u>	<u>\$ 180,924</u>	<u>\$ 27,221</u>	<u>\$ 376,561</u>

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

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 5,828,709	\$ 5,899,457	\$ 70,748	\$ -	\$ -	\$ -
Earnings on investments	65,776	66,589	813	749	749	-
Extracurricular activities	-	-	-	128,441	128,441	-
Other local revenues	123,350	124,891	1,541	36,742	36,742	-
Other revenue	-	-	-	2,423	2,423	-
Intergovernmental - State	9,394,558	9,508,531	113,973	158,522	158,522	-
Intergovernmental - Federal	-	-	-	481,570	481,570	-
Total revenues	<u>15,412,393</u>	<u>15,599,468</u>	<u>187,075</u>	<u>808,447</u>	<u>808,447</u>	<u>-</u>
Expenditures:						
Current:						
Instruction:						
Regular	7,007,195	7,007,193	2	45,468	45,468	-
Special	686,270	686,270	-	281,773	281,773	-
Vocational	253,283	253,283	-	-	-	-
Other	278,573	278,573	-	-	-	-
Support services:						
Pupil	737,080	737,080	-	32,445	32,445	-
Instructional staff	967,315	967,315	-	47,752	47,752	-
Board of Education	17,723	17,723	-	-	-	-
Administration	901,797	901,797	-	2,210	2,210	-
Fiscal	376,713	376,713	-	3,840	3,840	-
Business	31,756	31,756	-	-	-	-
Operations and maintenance	1,657,913	1,657,913	-	-	-	-
Pupil transportation	762,266	762,266	-	37,908	37,908	-
Central	107,228	107,228	-	-	-	-
Community services	153,162	153,162	-	141,629	141,629	-
Extracurricular activities	343,434	343,434	-	51,915	51,915	-
Facilities acquisition and construction	-	-	-	-	-	-
Pass through intergovernmental	-	-	-	122,917	122,917	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>14,281,708</u>	<u>14,281,706</u>	<u>2</u>	<u>767,857</u>	<u>767,857</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,130,685</u>	<u>1,317,762</u>	<u>187,077</u>	<u>40,590</u>	<u>40,590</u>	<u>-</u>
Other financing sources (uses):						
Advances in	30,644	30,985	341	15,000	15,000	-
Advances out	(15,000)	(15,000)	-	(30,986)	(30,986)	-
Operating transfers in	-	-	-	36,425	36,425	-
Operating transfers out	(287,806)	(287,806)	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Premium and accrued interest on sale of bonds	-	-	-	-	-	-
Proceeds from sale of fixed assets	464	502	38	438	438	-
Refund of prior year's receipts	-	-	-	242	242	-
Refund of prior year expenditure	33,275	33,661	386	-	-	-
Total other financing sources (uses)	<u>(238,423)</u>	<u>(237,658)</u>	<u>765</u>	<u>21,119</u>	<u>21,119</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	892,262	1,080,104	187,842	61,709	61,709	-
Fund balances, July 1	265,281	265,281	-	163,809	163,809	-
Prior year encumbrances appropriated	42,112	42,112	-	30,747	30,747	-
Fund balances, June 30	<u>\$ 1,199,655</u>	<u>\$ 1,387,497</u>	<u>\$ 187,842</u>	<u>\$ 256,265</u>	<u>\$ 256,265</u>	<u>\$ -</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 337,678	\$ 337,678	\$ -	\$ -	\$ -	\$ -	\$ 6,166,387	\$ 6,237,135	\$ 70,748
1,113	1,113	-	-	-	-	67,638	68,451	813
-	-	-	-	-	-	128,441	128,441	-
-	-	-	-	-	-	160,092	161,633	1,541
-	-	-	-	-	-	2,423	2,423	-
20,972	20,972	-	73,720	73,720	-	9,647,772	9,761,745	113,973
-	-	-	-	-	-	481,570	481,570	-
<u>359,763</u>	<u>359,763</u>	<u>-</u>	<u>73,720</u>	<u>73,720</u>	<u>-</u>	<u>16,654,323</u>	<u>16,841,398</u>	<u>187,075</u>
-	-	-	72,946	72,946	-	7,125,609	7,125,607	2
-	-	-	-	-	-	968,043	968,043	-
-	-	-	-	-	-	253,283	253,283	-
-	-	-	-	-	-	278,573	278,573	-
-	-	-	-	-	-	769,525	769,525	-
-	-	-	-	-	-	1,015,067	1,015,067	-
-	-	-	-	-	-	17,723	17,723	-
-	-	-	-	-	-	904,007	904,007	-
-	-	-	-	-	-	380,553	380,553	-
-	-	-	-	-	-	31,756	31,756	-
-	-	-	-	-	-	1,657,913	1,657,913	-
-	-	-	30,061	30,061	-	830,235	830,235	-
-	-	-	12,081	12,081	-	119,309	119,309	-
-	-	-	-	-	-	294,791	294,791	-
-	-	-	-	-	-	395,349	395,349	-
-	-	-	66,848	66,848	-	66,848	66,848	-
-	-	-	-	-	-	122,917	122,917	-
1,673,824	1,673,824	-	-	-	-	1,673,824	1,673,824	-
109,070	109,070	-	-	-	-	109,070	109,070	-
<u>1,782,894</u>	<u>1,782,894</u>	<u>-</u>	<u>181,936</u>	<u>181,936</u>	<u>-</u>	<u>17,014,395</u>	<u>17,014,393</u>	<u>2</u>
<u>(1,423,131)</u>	<u>(1,423,131)</u>	<u>-</u>	<u>(108,216)</u>	<u>(108,216)</u>	<u>-</u>	<u>(360,072)</u>	<u>(172,995)</u>	<u>187,077</u>
-	-	-	-	-	-	45,644	45,985	341
-	-	-	-	-	-	(45,986)	(45,986)	-
-	-	-	240,000	240,000	-	276,425	276,425	-
-	-	-	-	-	-	(287,806)	(287,806)	-
1,400,000	1,400,000	-	-	-	-	1,400,000	1,400,000	-
4,011	4,011	-	-	-	-	4,011	4,011	-
-	-	-	-	-	-	902	940	38
-	-	-	-	-	-	242	242	-
-	-	-	-	-	-	33,275	33,661	386
<u>1,404,011</u>	<u>1,404,011</u>	<u>-</u>	<u>240,000</u>	<u>240,000</u>	<u>-</u>	<u>1,426,707</u>	<u>1,427,472</u>	<u>765</u>
(19,120)	(19,120)	-	131,784	131,784	-	1,066,635	1,254,477	187,842
102,353	102,353	-	32,303	32,303	-	563,746	563,746	-
-	-	-	-	-	-	72,859	72,859	-
<u>\$ 83,233</u>	<u>\$ 83,233</u>	<u>\$ -</u>	<u>\$ 164,087</u>	<u>\$ 164,087</u>	<u>\$ -</u>	<u>\$ 1,703,240</u>	<u>\$ 1,891,082</u>	<u>\$ 187,842</u>

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$ 37,735	\$ -	\$ 37,735
Sales/charges for services	366,075	-	366,075
Other operating revenues.	<u>-</u>	<u>131,932</u>	<u>131,932</u>
 Total operating revenues	 <u>403,810</u>	 <u>131,932</u>	 <u>535,742</u>
Operating expenses:			
Personal services	307,037	41,403	348,440
Contract services	7,456	-	7,456
Materials and supplies	383,427	-	383,427
Depreciation	3,934	-	3,934
Claims expense	<u>-</u>	<u>-</u>	<u>-</u>
 Total operating expenses	 <u>701,854</u>	 <u>41,403</u>	 <u>743,257</u>
Operating income (loss)	<u>(298,044)</u>	<u>90,529</u>	<u>(207,515)</u>
Nonoperating revenues:			
Operating grants	240,815	-	240,815
Federal commodities	48,077	-	48,077
Interest revenue.	<u>1,143</u>	<u>319</u>	<u>1,462</u>
 Total nonoperating revenues	 <u>290,035</u>	 <u>319</u>	 <u>290,354</u>
Net income (loss) before operating transfers. . .	(8,009)	90,848	82,839
Operating transfers in	<u>11,379</u>	<u>-</u>	<u>11,379</u>
Net income	3,370	90,848	94,218
Retained earnings, July 1 (restated)	<u>74,092</u>	<u>40,716</u>	<u>114,808</u>
Retained earnings, June 30.	<u>\$ 77,462</u>	<u>\$ 131,564</u>	<u>\$ 209,026</u>

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

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 38,040	\$ -	\$ 38,040
Cash received from sales/service charges	366,075	-	366,075
Cash received from other operations	-	129,120	129,120
Cash payments for personal services	(289,807)	(41,403)	(331,210)
Cash payments for contract services	(7,264)	-	(7,264)
Cash payments for materials and supplies	(345,955)	-	(345,955)
Cash payments for claims expenses	-	(26,868)	(26,868)
Net cash provided by (used in) operating activities	<u>(238,911)</u>	<u>60,849</u>	<u>(178,062)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	207,885	-	207,885
Cash received from operating transfers in	<u>11,379</u>	<u>-</u>	<u>11,379</u>
Net cash provided by noncapital financing activities	<u>219,264</u>	<u>-</u>	<u>219,264</u>
Cash flows from investing activities:			
Interest received	<u>1,121</u>	<u>319</u>	<u>1,440</u>
Net cash provided by investing activities	<u>1,121</u>	<u>319</u>	<u>1,440</u>
Net increase (decrease) in cash and cash equivalents	(18,526)	61,168	42,642
Cash and cash equivalents at beginning of year	<u>112,088</u>	<u>70,396</u>	<u>182,484</u>
Cash and cash equivalents at end of year	<u>\$ 93,562</u>	<u>\$ 131,564</u>	<u>\$ 225,126</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (298,044)	\$ 90,529	\$ (207,515)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	3,934	-	3,934
Federal donated commodities	48,077	-	48,077
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(935)	-	(935)
Decrease in accounts receivable	305	-	305
Decrease in accounts payable	(1,113)	-	(1,113)
Increase in accrued wages and benefits	3,448	-	3,448
Increase in compensated absences payable	9,138	-	9,138
Increase in pension obligation payable	3,382	-	3,382
Increase in due to other governments	1,262	-	1,262
Decrease in claims payable	-	(29,680)	(29,680)
Decrease in deferred revenue	<u>(8,365)</u>	<u>-</u>	<u>(8,365)</u>
Net cash provided by (used in) operating activities	<u>\$ (238,911)</u>	<u>\$ 60,849</u>	<u>\$ (178,062)</u>

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

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**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Hubbard Exempted Village School District (the “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 227th largest by enrollment among the 705 public and community school districts in the State. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 96 non-certified employees, 158 certified employees and 7 administrators to provide services to approximately 2,345 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 accounting principles generally accepted in the United States of America (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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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. 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.

The District serves as a taxing authority for the Hubbard Public Library (the "Library"). The Library is a separate political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The District does not appoint a majority of the Library's Board of Trustees nor does the District approve the Library's budget or influence its operations. The District has reported tax related debt for the Library in its GPFS (see Note 9.C.).

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:

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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. 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 member 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 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 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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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.

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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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.

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).

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 funds, using the same measurement focus and basis of accounting. Expendable trust funds account for assets when both the principal and interest may be spent.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Agency Funds - The agency funds are custodial in nature and do not involve results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. The agency funds had no accruals at June 30, 2002, which, in other fund types, would be recognized in the combined balance sheet.

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.

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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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, 2002, and which are intended to finance fiscal 2002 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.

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

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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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.

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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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 2002 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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund type 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.) Although the legal level of budgetary control was established at the fund type level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 type must be approved by the Board of Education.
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 fund types 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, 2002.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 type 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 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 12 to the GPFS.

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 2002, investments were limited to repurchase agreements. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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 and employee benefits self-insurance fund which are individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal 2002 amounted to \$66,994, which includes \$29,951 assigned from other District funds.

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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 \$1,500 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.

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:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	5 - 20

H. 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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 all employees with 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.

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.

I. 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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

J. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation, and Bureau of Worker's Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

K. 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, 2002.
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 no long-term advances receivable or payable at June 30, 2002.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

See Note 5 for an analysis of interfund transactions.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 17 for details.

M. 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.

N. Parochial School

Within the District's boundaries is St. Patrick's parochial school, which is operated through the Youngstown Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

O. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or 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. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. The enterprise funds did not receive contributions of capital during fiscal 2002. Contributed capital in the enterprise funds at June 30, 2002, is \$28,837.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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. Prior Period Adjustment

During fiscal year 2002, a reappraisal of the District's fixed assets was performed. Due to variances between the reappraisal balances and amounts previously reported as fixed assets, a prior period adjustment is required to restate the general fixed asset account group (see Note 8.A.) and the retained earnings in the Food Service enterprise fund. The prior period adjustment had the following effect on retained earnings as previously reported as of June 30, 2001:

	<u>Enterprise</u>
Retained earnings as previously reported	\$101,028
Restatement for reappraisal	<u>(26,936)</u>
Restated retained earnings as of July 1, 2001	<u>\$ 74,092</u>

Deficit Fund Balance

	<u>Deficit Balance</u>
General Fund	\$150,578
<u>Special Revenue Fund</u>	
Title I	13,905

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit fund balances in the general fund and Title I special revenue fund are caused primarily by the reporting of liabilities for accrued wages, benefits and retirement obligations, and compensated absences in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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:

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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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);
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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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.

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 \$(256,820) and the bank balance was \$111,667. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as “investments”. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$11,667 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would 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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$2,600,641</u>	<u>\$2,600,641</u>	<u>\$2,600,641</u>

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	\$ 2,343,821	\$ -
Investments of the cash management pool:		
Repurchase agreement	<u>(2,600,641)</u>	<u>2,600,641</u>
Per GASB Statement No. 3	<u>\$ (256,820)</u>	<u>\$2,600,641</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$287,804
<u>Special Revenue Funds</u>		
District Managed Activity	31,193	-
Title I	5,232	-
<u>Capital Projects Fund</u>		
Permanent Improvement	240,000	-
<u>Enterprise Fund</u>		
Uniform School Supplies	<u>11,379</u>	<u>-</u>
Total	<u>\$287,804</u>	<u>\$287,804</u>

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 varying rates of true value.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES - (Continued)

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 2001 taxes were collected was \$195,164,759. Agricultural/residential and public utility real estate represented \$139,622,530 or 71.54% of this total; commercial/ industrial real estate represented \$24,906,220 or 12.76% of this total; public utility tangible represented \$6,284,560 or 3.22% of this total and general tangible property represented \$24,351,449 or 12.48% of this total. The voted general tax rate for operations during the period was \$58.60 per \$1,000.00 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 Trumbull 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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. 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 \$34,935 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, 2002, 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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$7,793,385
Accounts	64
Accrued interest	405
Due from other governments	1,208
<u>Special Revenue Funds</u>	
Due from other governments	15,385
<u>Debt Service Fund</u>	
Taxes - current and delinquent	404,011
<u>Enterprise Funds</u>	
Due from other governments	33,392

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2001 due to a reappraisal of the District's capital assets during fiscal year 2002.

	Balance June 30, 2001	<u>Correction</u>	Restated Balance July 1, 2001
Land/improvements	\$ 1,433,225	\$ 321,571	\$ 1,754,796
Buildings/improvements	6,889,020	1,470,799	8,359,819
Furniture/equipment	3,250,569	(2,462,765)	787,804
Vehicles	<u>1,009,228</u>	<u>267,133</u>	<u>1,276,361</u>
Total	<u>\$12,582,042</u>	<u>\$ (403,262)</u>	<u>\$12,178,780</u>

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

	Restated Balance July 1, 2001	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2002
Land/improvements	\$ 1,754,796	\$ -	\$ -	\$ 1,754,796
Buildings/improvements	8,359,819	-	-	8,359,819
Furniture/equipment	787,804	26,617	(3,654)	810,767
Vehicles	<u>1,276,361</u>	<u>62,345</u>	<u>(28,080)</u>	<u>1,310,626</u>
Total	<u>\$12,178,780</u>	<u>\$88,962</u>	<u>\$(31,734)</u>	<u>\$12,236,008</u>

B. Proprietary Fixed Assets

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 202,922
Less: accumulated depreciation	<u>(171,031)</u>
Net fixed assets	<u>\$ 31,891</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS

- A. 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 unmaturred obligation at year-end is accounted for in the general long-term obligations account group.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2001</u>	<u>Retired in 2002</u>	<u>Balance June 30, 2002</u>
Energy conservation note	5.10%	08/30/93	06/01/03	\$235,000	\$(115,000)	\$120,000
Energy conservation note	5.75%	09/10/93	06/30/03	<u>117,648</u>	<u>(58,824)</u>	<u>58,824</u>
Total				<u>\$352,648</u>	<u>\$173,824</u>	<u>\$178,824</u>

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

<u>Year Ending June 30,</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2003	<u>\$178,824</u>	<u>\$9,502</u>	<u>\$188,326</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During fiscal year 2000, a tax levy was passed in the District's name for the Hubbard Public Library (the "Library"). In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Hubbard Exempted Village School District. The District acts as taxing authority for the Library, collects levied taxes and makes required debt service payments. The general obligation bonds were issued in fiscal year 2002 (see Note 9.C.). On February 10, 2001, the District issued bond anticipation notes in the amount of \$1,400,000. Although the bond anticipation notes were issued on behalf of the Library, and the proceeds of the bond anticipation notes were transferred to the Board of Trustees of the Library, the bond anticipation notes constitute indebtedness of the District. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were considered long-term obligations because they were replaced with long-term bonds before the financial statements were issued. A summary of the bond anticipation note transactions for the fiscal year ended June 30, 2002 follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u> <u>in 2002</u>	<u>Retired</u> <u>in 2002</u>	<u>Balance</u> <u>June 30, 2002</u>
Library improvement bond anticipation notes - 4.15%	<u>\$1,400,000</u>	<u>\$ -</u>	<u>\$(1,400,000)</u>	<u>\$ -</u>

C. On October 25, 2001, the District issued \$1,400,000 in general obligation bonds on behalf of the Hubbard Public Library. The bonds were placed in the name of the Hubbard Exempted Village School District. In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Hubbard Exempted Village School District. The District acts as taxing authority for the Library, collects levied taxes and makes required debt service payments. The bonds were issued to provide funds for library improvements, and are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds mature on December 1, 2010 and bear an annual interest rate of 2.4% - 5.4%. The source of payment is derived from a current bonded debt tax levy. A summary of the general obligation bond transactions for the fiscal year ended June 30, 2002 follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u> <u>in 2002</u>	<u>Retired</u> <u>in 2002</u>	<u>Balance</u> <u>June 30, 2002</u>
Library improvement bonds-2.40%	<u>\$ -</u>	<u>\$1,400,000</u>	<u>\$(100,000)</u>	<u>\$1,300,000</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 120,000	\$ 56,210	\$ 176,210
2004	125,000	52,931	177,931
2005	130,000	49,197	179,197
2006	135,000	44,921	179,921
2007	145,000	38,745	183,745
2008 - 2017	<u>645,000</u>	<u>71,955</u>	<u>716,955</u>
Total	<u>\$1,300,000</u>	<u>\$313,959</u>	<u>\$1,613,959</u>

D. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences, the early retirement incentive and the pension obligation will be paid from the fund which the employee is paid.

	<u>Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$1,171,700	\$149,571	\$ (224,925)	\$1,096,346
Early retirement incentive payable	-	60,000	(15,000)	45,000
Pension obligation payable	137,566	137,936	(137,566)	137,936
Energy conservation notes payable	352,648	-	(173,824)	178,824
General obligation bonds payable	-	1,400,000	(100,000)	1,300,000
Bond anticipation notes payable	<u>1,400,000</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
Total	<u>\$3,061,914</u>	<u>\$1,747,507</u>	<u>\$(2,051,315)</u>	<u>\$2,758,106</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

E. 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, 2002 are a voted debt margin of \$17,649,783 (including available funds of \$84,955) and an unvoted debt margin of \$195,165.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-third of the accrued, but unused, sick leave balance to a maximum of 80 days for all employees.

B. Early Retirement Incentive

Effective July 1, 2001, the District has elected to provide an early retirement incentive plan (ERIP) for the State Teacher's Retirement System of Ohio (STRS). Employees who first attain thirty years of service and elect in writing to retire from active service and whose letter of notification is filed with the office of the Superintendent between December 1, 2001, and March 31, 2002, with an effective date following the conclusion of the school year and prior to the commencement of the 2002-2003 school year shall be paid an additional \$15,000. One half of the payment shall be made on the last August 2002 payroll and the remaining half on the last payroll in February 2003. Four employees took advantage of the ERIP during fiscal 2002. A portion of the payments are recorded as a liability in the general fund and the remaining portion is recorded as a liability in the general long-term obligations account group.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - 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 \$34,751,575 and a deductible of \$1,000.

The District's fleet insurance coverage has a liability of \$1,000,000 for each accident, \$300,000 for each uninsured motorist accident, aggregate of \$1,000,000. The property damage liability is 250,000.

The District's liability policy has a liability limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

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

B. Employee Group Medical, Dental, Prescription and Life Insurance

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical, prescription and dental plan, which are administered by Medical Mutual of Ohio located in Cleveland. The District also provides life insurance for its employees through Anthem.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' 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.

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.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - 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, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$344,898	\$ 58,912	\$403,810
Operating expenses less depreciation	614,188	83,732	697,920
Depreciation	3,934	-	3,934
Operating grants	240,815	-	240,815
Operating transfers in	-	11,379	11,379
Net income/(loss)	16,811	(13,441)	3,370
Net working capital	50,877	23,531	74,408
Total assets	147,395	25,156	172,551
Total liabilities	64,627	1,625	66,252
Contributed capital	28,837	-	28,837
Total fund equity	82,768	23,531	106,299
Encumbrances at June 30, 2002	1,200	1,924	3,124

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 13 - 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 defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 5.46 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, 2002, 2001, and 2000 were \$351,415, \$349,848, and \$346,132, respectively; 50.91 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$172,500, representing the unpaid contribution for fiscal year 2002, 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 9.5 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, 2002, 2001, and 2000 were \$1,063,359, \$1,047,699, and \$972,428, respectively; 84.30 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$166,980, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS 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. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$341,794 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 8.54 percent of covered payroll. 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 2002, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 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 \$256,218 during the 2002 fiscal year.

NOTE 15 - 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 Comparison - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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			
	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$1,080,104	\$ 61,709	\$(19,120)	\$131,784
Net adjustment for revenue accruals	32,798	(29,968)	700	-
Net adjustment for expenditure accruals	17,467	57,143	-	(16,867)
Net adjustment for other sources/(uses)	(49,644)	15,744	-	-
Adjustment for encumbrances	<u>62,525</u>	<u>26,649</u>	<u>-</u>	<u>38,119</u>
GAAP basis	<u>\$1,143,250</u>	<u>\$131,277</u>	<u>\$(18,420)</u>	<u>\$153,036</u>

Ohio Revised Code Section 5705.41 (D) was cited for entering into purchase commitments prior to certification.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 16 - 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, 2002.

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - 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, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2001	\$ (18,589)	\$ -	\$66,985
Current year set-aside requirement	286,786	286,786	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(365,554)</u>	<u>(345,812)</u>	<u>-</u>
Total	<u>\$ (97,357)</u>	<u>\$ (59,026)</u>	<u>\$66,895</u>
Balance carried forward to FY 2002	<u>\$ (97,357)</u>	<u>\$ -</u>	<u>\$66,895</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	<u>\$66,895</u>
Total restricted assets	<u>\$66,895</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$39,722		\$39,376
National School Breakfast Program	2001 05-PU 2002 05-PU	10.553	2,990 23,566 <hr/> 26,556		2,990 23,566 <hr/> 26,556	
National School Lunch Program	2001 LL-P1 2001 LL-P4 2002 LL-P4	10.555	361 22,820 146,487 <hr/> 169,668		361 22,820 146,487 <hr/> 169,668	
Total National School Lunch Program						
Total U.S. Department of Agriculture - Nutrition Cluster			196,224	39,722	196,224	39,376
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Human Services:</i>						
Medical Assistance Program (Medicaid Title XIX)		93.778	18,169		18,169	
Total U.S. Department of Health and Human Services			18,169		18,169	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2000 C1-S1 2001 C1-S1 2002	84.010	1,320 16,599 174,340 <hr/> 192,259		1,320 2,940 160,775 <hr/> 165,035	
Total Title I Grants to Local Educational Agencies						
Special Education Grants to States (IDEA Part B)	6B-SF-2001 6B-SF-2002	84.027	0 157,700 <hr/> 157,700		12,282 135,051 <hr/> 147,333	
Drug Free School Grant	DR-S1 2002	84.186	9,136		9,136	
Baldrige/Goals	G2-S9-01	84.276	10,000		257	
Eisenhower Professional Development Grant	MS-S1 2001 MS-S1 2002	84.281	0 10,821 <hr/> 10,821		260 6,493 <hr/> 6,753	
Total Eisenhower Professional Development Grant						
Innovative Education Program Strategies	C2-S1 2001 C2-S1 2002	84.298	0 13,251 <hr/> 13,251		3,980 7,831 <hr/> 11,811	
Total Innovative Education Program Strategies						
Class Size Reduction Program	CR-S1 2000 CR-S1-2001 CR-S1 2002	84.340	18,977 486 39,174 <hr/> 58,637		17,488 0 22,425 <hr/> 39,913	
Total Class Size Reduction Program Strategies						
School Renovation Idea/Technology	AT-S1 2002	84.352	2,999		2,999	
Total Department of Education			454,803		383,237	
Totals			\$669,196	\$39,722	\$597,630	\$39,376

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District'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 and local receipts. It is assumed federal monies are expended first.

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**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

We have audited the financial statements of the Hubbard Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-11178-001.

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 deducted 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 January 10, 2003.

Hubbard Exempted Village School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

January 10, 2003



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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

Compliance

We have audited the compliance of the Hubbard Exempted Village School 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, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, 2002.

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 the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

January 10, 2003

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(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):	Title I (CFDA# 84.010)
(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 2002-11178-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Our test of disbursements indicated that 13% of expenditures tested were committed prior to the certification of available funds by the District Treasurer. Neither exception listed above was followed, contrary to Ohio Rev. Code 5705.41(D). This condition does not provide adequate accountability over the District's disbursements. Obligations may be incurred which either the Board or management has not authorized or which the District cannot afford.

The District should establish control policies and procedures that are sufficient to ensure that purchases are certified and encumbered by the Treasurer at the time of purchase.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2003**