

**CITY OF HUBBARD
TRUMBULL COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2014

MICHAEL C. VILLANO, CPA, CMA, CGMA, CITY AUDITOR



Dave Yost • Auditor of State

City Council
City of Hubbard
220 West Liberty Street
Hubbard, Ohio 44425

We have reviewed the *Independent Auditor's Report* of the City of Hubbard, Trumbull County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Hubbard is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 14, 2015

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**CITY OF HUBBARD
TRUMBULL COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17 - 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	23
Statement of Net Position - Proprietary Funds	24 - 25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	26 - 27
Statement of Cash Flows - Proprietary Funds	28 - 31
Statement of Fiduciary Net Position - Fiduciary Funds	32
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	33
Notes to the Basic Financial Statements	34 - 69
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	70 - 71

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Julian & Grube, Inc.
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Independent Auditor's Report

City of Hubbard
Trumbull County
220 W. Liberty Street
Hubbard, Ohio 44425

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, Ohio, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City of Hubbard's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, Ohio, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2015, on our consideration of the City of Hubbard's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hubbard's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 12, 2015

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The management's discussion and analysis of the City of Hubbard's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The total net position of the City increased \$1,440,948 from 2013's net position. Net position of governmental activities increased \$613,633 or 16.34% from 2013 and net position of business-type activities increased \$787,315 or 4.39% from 2013.
- General revenues accounted for \$2,672,228 or 85.02% of total governmental activities revenue. Program specific revenues accounted for \$470,707 or 14.98% of total governmental activities revenue.
- The City had \$2,529,302 in expenses related to governmental activities; \$470,707 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,058,595 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$2,672,228.
- The City's major governmental fund is the general fund. The general fund had revenues of \$2,629,675 in 2014. The expenditures and other financing uses of the general fund totaled \$2,518,012 in 2014. The net increase in fund balance for the general fund was \$111,663 or 11.85%.
- Net position for the business-type activities, which are composed of the water, sewer, electric, guarantee trust (utility connection deposits) and stormwater enterprise funds, increased in 2014 by \$787,315.
- In the general fund, actual budgetary-basis revenues and other financing sources of \$2,018,278 were the same as the amount in the final budget and actual budgetary-basis expenditures and other financing uses of \$1,916,207 were \$16,410 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$112,597 from the original to the final budget. Budgeted expenditures and other financing uses decreased \$64,908 from the original to the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors-some financial, others not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, street maintenance, cemetery, capital improvements, and general administration. These services are funded primarily by property taxes, income taxes, and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric, guarantee trust and stormwater operations are reported here.

The City's statement of net position and statement of activities can be found on pages 16-18 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 19-23 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, guarantee trust and stormwater operations. The sewer, water, and electric enterprise funds are considered major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 24-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency and private-purpose trust funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-69 of this report.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position at December 31, 2014 and December 31, 2013.

	Net Position					
	Governmental	Business-type	Governmental	Business-type		
	Activities	Activities	Activities	Activities	2014	2013
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 3,360,058	\$ 10,522,596	\$ 3,119,148	\$ 9,694,850	\$ 13,882,654	\$ 12,813,998
Capital assets	<u>3,819,016</u>	<u>13,064,179</u>	<u>3,803,959</u>	<u>13,243,163</u>	<u>16,883,195</u>	<u>17,047,122</u>
Total assets	<u>7,179,074</u>	<u>23,586,775</u>	<u>6,923,107</u>	<u>22,938,013</u>	<u>30,765,849</u>	<u>29,861,120</u>
<u>Liabilities</u>						
Current liabilities	188,002	2,781,862	184,733	1,340,706	2,969,864	1,525,439
Long-term liabilities	<u>2,310,494</u>	<u>2,071,452</u>	<u>2,671,429</u>	<u>3,651,161</u>	<u>4,381,946</u>	<u>6,322,590</u>
Total liabilities	<u>2,498,496</u>	<u>4,853,314</u>	<u>2,856,162</u>	<u>4,991,867</u>	<u>7,351,810</u>	<u>7,848,029</u>
<u>Deferred Inflows of Resources</u>	<u>311,329</u>	<u>-</u>	<u>311,329</u>	<u>-</u>	<u>311,329</u>	<u>311,329</u>
<u>Net Position</u>						
Net investment in capital assets	1,694,016	9,957,293	1,343,959	9,972,980	11,651,309	11,316,939
Restricted	502,716	-	355,888	-	502,716	355,888
Unrestricted	<u>2,172,517</u>	<u>8,776,168</u>	<u>2,055,769</u>	<u>7,973,166</u>	<u>10,948,685</u>	<u>10,028,935</u>
Total net position	<u>\$ 4,369,249</u>	<u>\$ 18,733,461</u>	<u>\$ 3,755,616</u>	<u>\$ 17,946,146</u>	<u>\$ 23,102,710</u>	<u>\$ 21,701,762</u>

The variations in current liabilities and long-term liabilities within the business-type activities are primarily a result of the classification of the electric fund's bond anticipation notes as a long-term obligation in 2013, as compared to the bond anticipation notes classification as a short-term obligation in 2014.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$23,102,710. At year-end, net position was \$4,369,249 and \$18,733,461 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 54.88% of total assets. Capital assets at December 31, 2014, include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and construction in progress. The City's net investment in capital assets at December 31, 2014, was \$1,694,016 and \$9,957,293 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$502,716, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$2,172,517 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following table shows the comparative analysis of changes in net position for 2014 and 2013.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2014	2013
	Activities	Activities	Activities	Activities	Total	Total
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 38,972	\$ 9,423,993	\$ 26,253	\$ 9,460,904	\$ 9,462,965	\$ 9,487,157
Operating grants and contributions	431,735	5,045	449,919	-	436,780	449,919
Capital grants and contributions	-	42,140	-	-	42,140	-
Total program revenues	<u>470,707</u>	<u>9,471,178</u>	<u>476,172</u>	<u>9,460,904</u>	<u>9,941,885</u>	<u>9,937,076</u>
General revenues:						
Property taxes	265,683	-	253,507	-	265,683	253,507
Income taxes	2,046,065	-	2,078,950	-	2,046,065	2,078,950
Other local taxes	-	31,474	-	30,749	31,474	30,749
Unrestricted grants and entitlements	149,449	-	241,835	-	149,449	241,835
Investment earnings	66,593	-	61,124	14,163	66,593	75,287
Miscellaneous	144,438	98,193	192,791	132,763	242,631	325,554
Total general revenues	<u>2,672,228</u>	<u>129,667</u>	<u>2,828,207</u>	<u>177,675</u>	<u>2,801,895</u>	<u>3,005,882</u>
Total revenues	<u>3,142,935</u>	<u>9,600,845</u>	<u>3,304,379</u>	<u>9,638,579</u>	<u>12,743,780</u>	<u>12,942,958</u>
Expenses						
General government	358,200	-	360,377	-	358,200	360,377
Security of persons and property	1,429,626	-	1,357,651	-	1,429,626	1,357,651
Public health and welfare	20,889	-	18,805	-	20,889	18,805
Transportation	654,672	-	753,186	-	654,672	753,186
Community environment	160	-	760	-	160	760
Leisure time activity	20,773	-	41,845	-	20,773	41,845
Interest and fiscal charges	44,922	-	48,310	-	44,922	48,310
Other	60	-	-	-	60	-
Sewer	-	1,135,639	-	1,002,519	1,135,639	1,002,519
Water	-	1,516,971	-	1,371,794	1,516,971	1,371,794
Electric	-	6,096,255	-	6,467,579	6,096,255	6,467,579
Guarantee trust	-	10,409	-	10,868	10,409	10,868
Stormwater	-	54,256	-	69,243	54,256	69,243
Total expenses	<u>2,529,302</u>	<u>8,813,530</u>	<u>2,580,934</u>	<u>8,922,003</u>	<u>11,342,832</u>	<u>11,502,937</u>
Change in net position	<u>613,633</u>	<u>787,315</u>	<u>723,445</u>	<u>716,576</u>	<u>1,400,948</u>	<u>1,440,021</u>
Net position at beginning of year	<u>3,755,616</u>	<u>17,946,146</u>	<u>3,032,171</u>	<u>17,229,570</u>	<u>21,701,762</u>	<u>20,261,741</u>
Net position at end of year	<u>\$ 4,369,249</u>	<u>\$ 18,733,461</u>	<u>\$ 3,755,616</u>	<u>\$ 17,946,146</u>	<u>\$ 23,102,710</u>	<u>\$ 21,701,762</u>

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Governmental Activities

The net position of the governmental activities increased \$613,633 or 16.34% in 2014. Security of persons and property expenses increased during 2014, but this increase was offset by decreases in transportation expenses. The net result of the changes in governmental activities expenses was a decrease of \$51,632 or 2.00%.

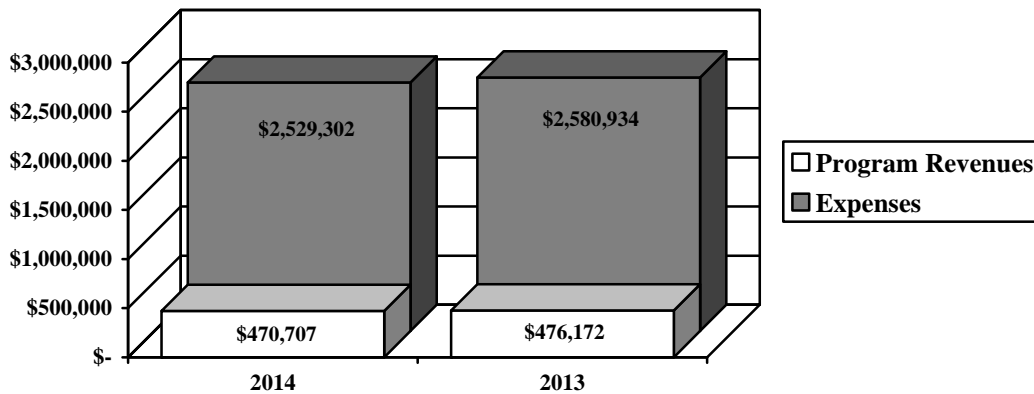
Security of persons and property expenses, which primarily support the operations of the police department, accounted for \$1,429,626 or 56.52% of the total expenses of the City. These expenses were partially funded by \$27,139 in direct charges to users of the services. Transportation expenses accounted for \$654,672 or 25.88% of the total expenses of the City. These expenses were partially funded by \$430,431 in operating grants and contributions.

The State and federal government contributed to the City a total of \$431,735 in operating grants and contributions during 2014. These revenues are restricted to a particular program or purpose.

General revenues totaled \$2,672,228, and amounted to 85.02% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,311,748. The other primary source of general revenues is grants and entitlements not restricted to specific programs which make up \$149,449.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the City is highly dependent upon property and income taxes, as well as unrestricted grants and entitlements and other general revenues, to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

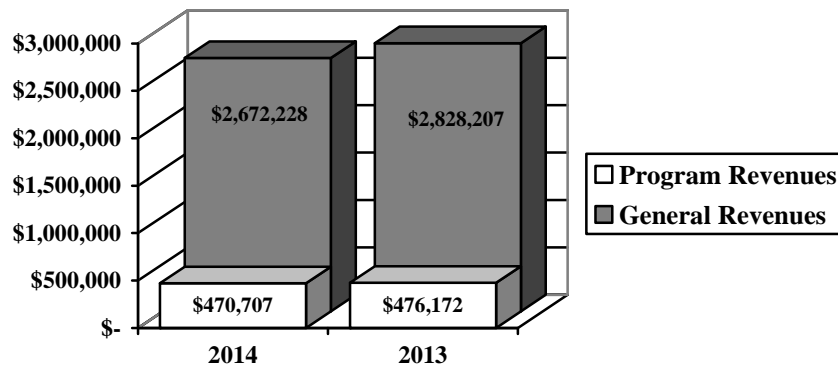
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Program Expenses:				
General government	\$ 358,200	\$ 350,132	\$ 360,377	\$ 358,562
Security of persons and property	1,429,626	1,402,487	1,357,651	1,330,354
Public health and welfare	20,889	17,124	18,805	17,094
Transportation	654,672	224,241	753,186	309,337
Community environment	160	160	760	760
Leisure time activity	20,773	19,469	41,845	40,345
Other	60	60	-	-
Interest and fiscal charges	<u>44,922</u>	<u>44,922</u>	<u>48,310</u>	<u>48,310</u>
Total	<u><u>\$ 2,529,302</u></u>	<u><u>\$ 2,058,595</u></u>	<u><u>\$ 2,580,934</u></u>	<u><u>\$ 2,104,762</u></u>

The dependence upon general revenues for governmental activities is apparent, with all expenses supported through taxes and other general revenues.

The following graph shows a comparison of program revenues and general revenues for governmental activities for 2014 and 2013.

Governmental Activities – Program Revenues and General Revenues



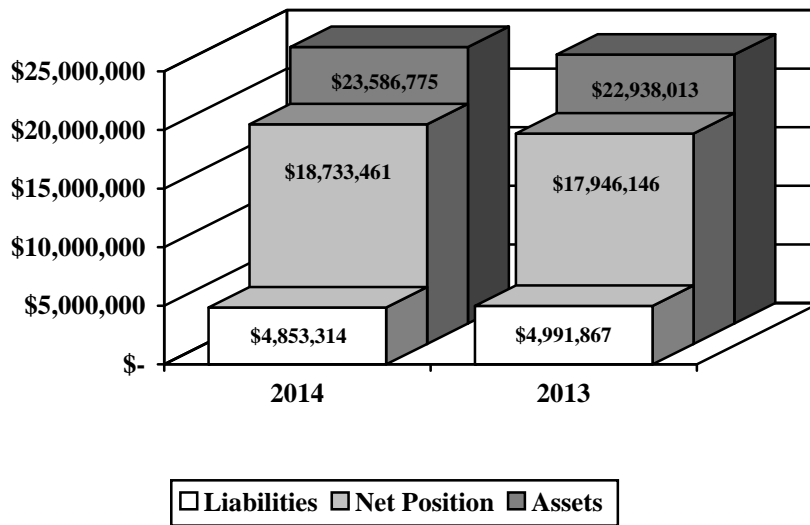
CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Business-type Activities

Business-type activities include the water, sewer, electric, guarantee trust and stormwater enterprise funds. These programs had program revenues of \$9,471,178, general revenues of \$129,667, and expenses of \$8,813,530 during 2014. The graph below shows the business-type activities assets, deferred outflows of resources, liabilities and net position at December 31, 2014 and December 31, 2013.

Net Position in Business-type Activities



Business-type activities net position increased \$787,315 due to consistent revenues continuing to exceed expenses in 2014.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The City's governmental funds, as presented on the balance sheet on page 19, reported a combined fund balance of \$1,961,549, which is \$115,465 more than last year's total of \$1,846,084. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 and December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances 12/31/14	Fund Balances 12/31/13	Change
General Fund	\$ 1,053,781	\$ 942,118	\$ 111,663
Nonmajor Governmental Funds	907,768	903,966	3,802
Total	\$ 1,961,549	\$ 1,846,084	\$ 115,465

General Fund

The City's general fund balance increased \$111,663. The table that follows assists in illustrating the revenues of the general fund.

	2014 Amount	2013 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 2,254,046	\$ 2,293,514	(1.72) %
Charges for services	599	509	17.68 %
Licenses and permits	108,302	143,304	(24.42) %
Fines and forfeitures	16,791	19,929	(15.75) %
Intergovernmental	147,209	238,700	(38.33) %
Investment income	66,593	61,124	8.95 %
Other	36,135	33,020	9.43 %
Total	\$ 2,629,675	\$ 2,790,100	(5.75) %

Overall revenues of the general fund decreased \$160,425 or 5.75%. Tax revenue represents 85.72% of all general fund revenue. Taxes decreased \$39,468 or 1.72% partially due to a decrease in income tax revenue during 2014. Intergovernmental revenue decreased \$91,491 or 38.33% primarily due to decreases in estate tax revenue and local government funding available to the City during 2014. Licenses and permits decreased \$35,002 or 24.42%.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The table that follows assists in illustrating the expenditures of the general fund.

	2014 <u>Amount</u>	2013 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 363,615	\$ 360,499	0.86 %
Security of persons and property	1,396,161	1,406,061	(0.70) %
Public health and welfare	13,397	13,368	0.22 %
Community environment	160	760	(78.95) %
Leisure time activity	3,054	6,495	(52.98) %
Other	<u>60</u>	<u>-</u>	<u>100.00</u> %
Total	<u>\$ 1,776,447</u>	<u>\$ 1,787,183</u>	<u>(0.60) %</u>

Overall expenditures of the general fund decreased \$10,736 or 0.60%. General government expenditures increased \$3,116 or 0.86% primarily due to an increase in the cost of personal services from various departments, including the offices of the Mayor, Engineer, and City Auditor. Security of persons and property expenditures decreased \$9,900 or 0.70% mainly due to decreases in salaries and fringe benefits paid to the City's police department during 2014.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources of \$2,018,278 were the same as the amount in the final budget and actual expenditures and other financing uses of \$1,916,207 were \$16,410 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$112,597 from the original to the final budget. Budgeted expenditures and other financing uses decreased \$64,908 from the original to the final budget.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government-wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers), whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the City had \$16,883,195 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, \$3,819,016 was reported in governmental activities and \$13,064,179 was reported in business-type activities. See Note 9 to the basic financial statements for more detail on the City's capital assets. The following table shows December 31, 2014 balances compared to December 31, 2013.

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 597,871	\$ 597,871	\$ 180,423	\$ 180,423	\$ 778,294	\$ 778,294
Constuction in progress	-	-	92,574	-	92,574	-
Land improvements	237,926	268,450	82,101	94,132	320,027	362,582
Buildings and improvements	1,454,426	1,500,694	1,755,419	1,867,350	3,209,845	3,368,044
Furniture and equipment	80,077	60,414	929,776	1,133,343	1,009,853	1,193,757
Vehicles	147,675	109,109	116,846	140,306	264,521	249,415
Infrastructure	1,301,041	1,267,421	9,907,040	9,827,609	11,208,081	11,095,030
Totals	<u>\$ 3,819,016</u>	<u>\$ 3,803,959</u>	<u>\$ 13,064,179</u>	<u>\$ 13,243,163</u>	<u>\$ 16,883,195</u>	<u>\$ 17,047,122</u>

The overall increase in governmental capital assets of \$15,057 is due to capital outlays of \$347,043 exceeding depreciation expense of \$331,986 during 2014. The overall decrease in business-type capital assets of \$178,984 is due to depreciation expense of \$683,199 exceeding capital outlays of \$504,215 during 2013.

One of the City's largest governmental capital asset categories is infrastructure, which includes roads, sidewalks, traffic lights and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 34.07% of the City's total governmental capital assets. Buildings and improvements is also a significant capital asset category, accounting for 38.08% of the City's total governmental capital assets.

The City's largest business-type capital asset category is infrastructure, which primarily includes water, sewer, and electrical lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 75.83% of the City's total business-type capital assets.

Debt Administration

At December 31, 2014, the City had long-term obligations totaling \$4,381,946. Of this total, \$759,297 is due within one year and \$3,622,649 is due in more than one year. See Note 12 to the basic financial statements for detail on the City's long-term obligations.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The City's governmental activities had the following long-term obligations outstanding at December 31, 2014 and December 31, 2013.

	Governmental Activities	
	December 31, 2014	December 31, 2013
Refunding bonds	\$ 2,125,000	\$ 2,460,000
Compensated absences	185,494	179,024
Retirement incentives	-	32,405
Total long-term obligations	\$ 2,310,494	\$ 2,671,429

The City's business-type activities had the following long-term obligations outstanding at December 31, 2014 and December 31, 2013.

	Business-type Activities	
	December 31, 2014	December 31, 2013
OPWC loans	\$ 627,826	\$ 697,094
OWDA loans	977,133	1,121,089
Electric system improvements notes	-	1,452,000
Stranded cost liability	201,164	231,588
Compensated absences	138,819	149,390
Retirement incentives	126,510	-
Total long-term obligations	\$ 2,071,452	\$ 3,651,161

Economic Conditions and Next Year's General Fund Budget Outlook

The City's Administration considered the impact of various economic factors when establishing the 2014 budget. The continued stabilization of both revenue and expenditure streams influenced the objectives established in the 2014 budget. As a result, the City continues to operate its financial decision making conservatively.

The City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (State) revenue. In order to sustain these revenue sources, City Council continues to make efforts to maintain the community's employment base, preserve the community's reputation for high public safety standards, and adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2014 budget, the City emphasized various efforts to continue to contain costs and sustain revenues.

Final budgeted revenues and other financing sources in the general fund for 2014 were \$2,018,278, a decrease of \$180,238 or 8.20% from the final 2013 budgeted amount of \$2,198,516. Final budgeted expenditures and other financing uses in the general fund for 2014 were \$1,932,617, an increase of \$14,817 or 0.77% from the final 2013 budgeted amount of \$1,917,800. For the financial reporting purposes of budgetary activity, the general fund is comprised of only the legally budgeted general fund.

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The average unemployment rate for Trumbull County in 2014 was 5.4%, which represents a decrease from the 2013 rate of 8.3%. This is the result of a continued slow growth in the construction and manufacturing sectors of the regional economy. The Trumbull County unemployment rate compared slightly higher than the 5.1% State of Ohio average yet, slightly lower than the 5.6% national average. The City Auditor anticipates the 2014 rate to stabilize due to general improvements in the regional and national economies. The combination of the City's stabilization of local income tax collections and continued conservative budgeting practices should result in a sustainable financial future for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City Auditor's Office, Mr. Michael C. Villano, CPA, CMA, CGMA Auditor, City of Hubbard, Ohio, 220 West Liberty Street, Hubbard, Ohio 44425 or visit our website at www.cityofhubbard.com.

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CITY OF HUBBARD, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,175,069	\$ 8,133,267	\$ 10,308,336
Cash in segregated accounts.	550	501	1,051
Receivables (net of allowance for uncollectibles):			
Income taxes.	513,274	-	513,274
Real and other taxes	365,791	3,364	369,155
Accounts.	25,673	774,783	800,456
Special assessments	10,173	-	10,173
Internal balance.	(4,238)	4,238	-
Due from other governments.	242,007	364	242,371
Prepayments	7,059	8,326	15,385
Materials and supplies inventory.	24,700	557,388	582,088
Investment in joint ventures	-	76,391	76,391
Regulatory asset.	-	963,974	963,974
Capital assets:			
Nondepreciable capital assets.	597,871	272,997	870,868
Depreciable capital assets, net.	3,221,145	12,791,182	16,012,327
Total capital assets.	3,819,016	13,064,179	16,883,195
Total assets	7,179,074	23,586,775	30,765,849
Liabilities:			
Accounts payable.	24,520	421,321	445,841
Contracts payable.	-	49,927	49,927
Accrued wages and benefits.	33,668	37,268	70,936
Due to other governments	50,103	45,408	95,511
Accrued interest payable	3,411	13,128	16,539
Claims payable.	76,300	-	76,300
Bond anticipation notes payable.	-	1,452,000	1,452,000
Regulatory liability.	-	762,810	762,810
Long-term liabilities:			
Due within one year	406,402	352,895	759,297
Due in more than one year.	1,904,092	1,718,557	3,622,649
Total liabilities	2,498,496	4,853,314	7,351,810
Deferred inflows of resources:			
Property and other taxes levied for the next fiscal year.	311,329	-	311,329
Net position:			
Net investment in capital assets.	1,694,016	9,957,293	11,651,309
Restricted for:			
Street construction and maintenance.	412,614	-	412,614
State highway	22,463	-	22,463
Law enforcement	20,151	-	20,151
Police pension.	32,397	-	32,397
Maple Grove cemetery.	8,992	-	8,992
Other purposes.	4,379	-	4,379
Perpetual care:			
Expendable.	880	-	880
Nonexpendable.	840	-	840
Unrestricted.	2,172,517	8,776,168	10,948,685
Total net position	\$ 4,369,249	\$ 18,733,461	\$ 23,102,710

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 358,200	\$ 8,068	\$ -	\$ -
Security of persons and property	1,429,626	27,139	-	-
Public health and welfare	20,889	3,765	-	-
Transportation	654,672	-	430,431	-
Community environment	160	-	-	-
Leisure time activity	20,773	-	1,304	-
Other	60	-	-	-
Interest and fiscal charges	44,922	-	-	-
Total governmental activities	2,529,302	38,972	431,735	-
Business-type activities:				
Sewer	1,135,639	1,752,427	5,045	39,645
Water	1,516,971	1,713,341	-	2,495
Electric	6,096,255	5,829,258	-	-
Other business-type activities:				
Guarantee trust	10,409	-	-	-
Stormwater	54,256	128,967	-	-
Total business-type activities	8,813,530	9,423,993	5,045	42,140
Total primary government	\$ 11,342,832	\$ 9,462,965	\$ 436,780	\$ 42,140

General Revenues:

Property taxes levied for:

- General purposes
- Police pension

Income taxes levied for:

- General purposes

Other local taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (350,132)	\$ -	\$ (350,132)
(1,402,487)	-	(1,402,487)
(17,124)	-	(17,124)
(224,241)	-	(224,241)
(160)	-	(160)
(19,469)	-	(19,469)
(60)	-	(60)
(44,922)	-	(44,922)
<u>(2,058,595)</u>	<u>-</u>	<u>(2,058,595)</u>
-	661,478	661,478
-	198,865	198,865
-	(266,997)	(266,997)
-	(10,409)	(10,409)
-	74,711	74,711
-	<u>657,648</u>	<u>657,648</u>
<u>(2,058,595)</u>	<u>657,648</u>	<u>(1,400,947)</u>
237,817	-	237,817
27,866	-	27,866
2,046,065	-	2,046,065
-	31,474	31,474
149,449	-	149,449
66,593	-	66,593
144,438	98,193	242,631
<u>2,672,228</u>	<u>129,667</u>	<u>2,801,895</u>
613,633	787,315	1,400,948
3,755,616	17,946,146	21,701,762
<u>\$ 4,369,249</u>	<u>\$ 18,733,461</u>	<u>\$ 23,102,710</u>

CITY OF HUBBARD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 759,970	\$ 839,237	\$ 1,599,207
Cash in segregated accounts	200	350	550
Receivables (net of allowance for uncollectibles):			
Income taxes	513,274	-	513,274
Real and other taxes	327,473	38,318	365,791
Accounts	25,556	48	25,604
Special assessments	10,173	-	10,173
Due from other governments	63,564	178,443	242,007
Prepayments	5,891	1,168	7,059
Materials and supplies inventory	5,792	18,908	24,700
Total assets	<u>\$ 1,711,893</u>	<u>\$ 1,076,472</u>	<u>\$ 2,788,365</u>
Liabilities:			
Accounts payable	\$ 22,988	\$ 1,532	\$ 24,520
Accrued wages and benefits	26,694	6,974	33,668
Due to other governments	40,147	9,956	50,103
Total liabilities	<u>89,829</u>	<u>18,462</u>	<u>108,291</u>
Deferred inflows of resources:			
Property and other taxes levied for the next fiscal year	278,716	32,613	311,329
Income tax revenue not available	194,800	-	194,800
Delinquent property tax revenue not available	41,238	4,825	46,063
Special assessments revenue not available	10,173	-	10,173
Intergovernmental revenue not available	43,356	112,804	156,160
Total deferred inflows of resources	<u>568,283</u>	<u>150,242</u>	<u>718,525</u>
Fund balances:			
Nonspendable	15,310	20,916	36,226
Restricted	-	399,051	399,051
Committed	-	38,553	38,553
Assigned	138,959	449,248	588,207
Unassigned	899,512	-	899,512
Total fund balances	<u>1,053,781</u>	<u>907,768</u>	<u>1,961,549</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,711,893</u>	<u>\$ 1,076,472</u>	<u>\$ 2,788,365</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	1,961,549
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,819,016
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$ 194,800	
Property taxes receivable	46,063	
Special assessments receivable	10,173	
Intergovernmental receivable	156,160	
Total	407,196	407,196
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(3,411)
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		499,631
An internal balance is recorded in governmental activities to reflect underpayments or overpayments to the internal service fund by the business-type activities.		(4,238)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(2,125,000)	
Compensated absences payable	(185,494)	
Total	(2,310,494)	(2,310,494)
Net position of governmental activities	\$	<u>4,369,249</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Income taxes	\$ 2,018,181	\$ -	\$ 2,018,181
Property and other taxes	235,865	27,638	263,503
Charges for services	599	3,275	3,874
Licenses and permits	108,302	-	108,302
Fines and forfeitures	16,791	2,753	19,544
Intergovernmental	147,209	433,379	580,588
Investment income	66,593	1,847	68,440
Other	36,135	14,022	50,157
Total revenues	<u>2,629,675</u>	<u>482,914</u>	<u>3,112,589</u>
Expenditures:			
Current:			
General government	363,615	7,000	370,615
Security of persons and property	1,396,161	49,338	1,445,499
Public health and welfare	13,397	7,492	20,889
Transportation	-	534,556	534,556
Community environment	160	-	160
Leisure time activity	3,054	17,253	20,307
Other	60	-	60
Capital outlay	-	224,753	224,753
Debt service:			
Principal retirement	-	335,000	335,000
Interest and fiscal charges	-	45,285	45,285
Total expenditures	<u>1,776,447</u>	<u>1,220,677</u>	<u>2,997,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>853,228</u>	<u>(737,763)</u>	<u>115,465</u>
Other financing sources (uses):			
Transfers in	-	741,565	741,565
Transfers out	(741,565)	-	(741,565)
Total other financing sources (uses)	<u>(741,565)</u>	<u>741,565</u>	<u>-</u>
Net change in fund balances	111,663	3,802	115,465
Fund balances at beginning of year	<u>942,118</u>	<u>903,966</u>	<u>1,846,084</u>
Fund balances at end of year	<u>\$ 1,053,781</u>	<u>\$ 907,768</u>	<u>\$ 1,961,549</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	115,465
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 347,043	
Current year depreciation	<u>(331,986)</u>	
Total		15,057
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	27,884	
Property taxes	2,180	
Special assessments	8,718	
Intergovernmental revenues	<u>(8,436)</u>	
Total		30,346
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		363
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		335,000
Some expenses reported in the statement of activities, such as compensated absences and retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(6,470)
An internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, net of internal balance activity of \$114,872, is:		
		<u>123,872</u>
Change in net position of governmental activities	\$	<u>613,633</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and other taxes	\$ 220,154	\$ 233,162	\$ 233,162	\$ -
Charges for services	613	649	649	-
Licenses and permits	100,628	106,574	106,574	-
Fines and forfeitures	15,665	16,591	16,591	-
Intergovernmental	142,736	151,169	151,169	-
Investment income	62,878	66,593	66,593	-
Other	33,866	35,867	35,867	-
Total revenues	<u>576,540</u>	<u>610,605</u>	<u>610,605</u>	<u>-</u>
Expenditures:				
Current:				
General government	312,925	281,427	272,020	9,407
Security of persons and property	1,450,500	1,409,290	1,403,415	5,875
Public health and welfare	14,000	13,500	13,397	103
Community environment	900	100	80	20
Leisure time activity	4,200	3,300	3,228	72
Total expenditures	<u>1,782,525</u>	<u>1,707,617</u>	<u>1,692,140</u>	<u>15,477</u>
Excess of expenditures over revenues	<u>(1,205,985)</u>	<u>(1,097,012)</u>	<u>(1,081,535)</u>	<u>15,477</u>
Other financing sources (uses):				
Transfers in	1,329,141	1,407,673	1,407,673	-
Transfers out	(215,000)	(225,000)	(224,067)	933
Total other financing sources (uses)	<u>1,114,141</u>	<u>1,182,673</u>	<u>1,183,606</u>	<u>933</u>
Net change in fund balance	(91,844)	85,661	102,071	16,410
Fund balance at beginning of year	<u>654,272</u>	<u>654,272</u>	<u>654,272</u>	<u>-</u>
Fund balance at end of year	<u>\$ 562,428</u>	<u>\$ 739,933</u>	<u>\$ 756,343</u>	<u>\$ 16,410</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,783,000	\$ 1,608,716	\$ 4,269,964	\$ 471,587
Cash in segregated accounts.	-	301	200	-
Receivables (net of allowance for uncollectibles):				
Real and other taxes	-	-	3,364	-
Accounts.	126,297	127,337	506,547	14,602
Due from other governments.	364	-	-	-
Prepayments	497	6,393	1,436	-
Materials and supplies inventory.	6,215	81,747	469,426	-
Total current assets	1,916,373	1,824,494	5,250,937	486,189
Noncurrent assets:				
Investment in joint ventures.	-	-	76,391	-
Regulatory asset.	-	-	963,974	-
Capital assets:				
Nondepreciable capital assets.	187,652	85,345	-	-
Depreciable capital assets, net.	4,970,142	4,554,727	3,105,359	160,954
Total capital assets.	5,157,794	4,640,072	3,105,359	160,954
Total noncurrent assets	5,157,794	4,640,072	4,145,724	160,954
Total assets	7,074,167	6,464,566	9,396,661	647,143
Liabilities:				
Current liabilities:				
Accounts payable.	15,818	34,033	371,320	150
Contracts payable.	7,529	-	-	42,398
Accrued wages and benefits.	9,013	8,785	19,470	-
Compensated absences.	-	16,320	50,626	-
Retirement incentive payable.	-	63,255	-	-
Due to other governments	6,025	12,161	27,222	-
Claims payable	-	-	-	-
Regulatory liability.	-	-	762,810	-
Current portion of OWDA loans.	-	153,427	-	-
Current portion of OPWC loans.	25,050	44,217	-	-
Bond anticipation notes payable	-	-	1,452,000	-
Accrued interest payable	-	-	13,128	-
Total current liabilities	63,435	332,198	2,696,576	42,548
Long-term liabilities:				
OWDA loans	-	823,706	-	-
OPWC loans.	260,620	297,939	-	-
Retirement incentive payable.	-	63,255	-	-
Stranded cost liability.	-	-	201,164	-
Compensated absences.	-	9,214	62,659	-
Total long-term liabilities	260,620	1,194,114	263,823	-
Total liabilities	324,055	1,526,312	2,960,399	42,548
Net position:				
Net investment in capital assets.	4,864,595	3,320,783	1,653,359	118,556
Unrestricted	1,885,517	1,617,471	4,782,903	486,039
Total net position.	\$ 6,750,112	\$ 4,938,254	\$ 6,436,262	\$ 604,595

Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.

Net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 8,133,267	\$ 575,862
501	-
3,364	-
774,783	69
364	-
8,326	-
557,388	-
<u>9,477,993</u>	<u>575,931</u>
76,391	-
963,974	-
272,997	-
12,791,182	-
<u>13,064,179</u>	<u>-</u>
14,104,544	-
<u>23,582,537</u>	<u>575,931</u>
421,321	-
49,927	-
37,268	-
66,946	-
63,255	-
45,408	-
-	76,300
762,810	-
153,427	-
69,267	-
1,452,000	-
13,128	-
<u>3,134,757</u>	<u>76,300</u>
823,706	-
558,559	-
63,255	-
201,164	-
71,873	-
<u>1,718,557</u>	<u>-</u>
<u>4,853,314</u>	<u>76,300</u>
9,957,293	-
8,771,930	499,631
18,729,223	<u>\$ 499,631</u>
4,238	-
<u>\$ 18,733,461</u>	-

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Operating revenues:				
Tap-in fees	\$ 252,200	\$ -	\$ -	\$ -
Charges for services	1,500,227	1,713,341	5,829,258	128,967
Other	33,367	20,129	31,569	13,128
Total operating revenues.	1,785,794	1,733,470	5,860,827	142,095
Operating expenses:				
Personal services	472,613	710,688	1,007,877	-
Contract services	283,616	482,454	4,266,629	51,782
Materials and supplies	103,331	61,332	175,211	-
Other	-	-	-	10,409
Depreciation	249,836	157,829	273,060	2,474
Total operating expenses.	1,109,396	1,412,303	5,722,777	64,665
Operating income.	676,398	321,167	138,050	77,430
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	-	(73,767)	(29,003)	-
Investment in joint ventures	-	-	(141,185)	-
Intergovernmental revenues	5,045	-	-	-
Other nonoperating expenses	-	-	(145,562)	-
Other nonoperating revenues	-	-	31,474	-
Total nonoperating revenues (expenses).	5,045	(73,767)	(284,276)	-
Income (loss) before capital contributions	681,443	247,400	(146,226)	77,430
Capital contributions	39,645	2,495	-	-
Change in net position	721,088	249,895	(146,226)	77,430
Net position at beginning of year.	6,029,024	4,688,359	6,582,488	527,165
Net position at end of year	\$ 6,750,112	\$ 4,938,254	\$ 6,436,262	\$ 604,595

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 252,200	\$ -
9,171,793	937,365
98,193	69
<u>9,522,186</u>	<u>937,434</u>
2,191,178	-
5,084,481	928,434
339,874	-
10,409	-
683,199	-
<u>8,309,141</u>	<u>928,434</u>
<u>1,213,045</u>	<u>9,000</u>
(102,770)	-
(141,185)	-
5,045	-
(145,562)	-
31,474	-
<u>(352,998)</u>	<u>-</u>
860,047	9,000
42,140	-
<u>902,187</u>	<u>9,000</u>
	<u>490,631</u>
	<u>\$ 499,631</u>
<u>(114,872)</u>	
<u>\$ 787,315</u>	

CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

Business-type Activities - Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>	<u>Nonmajor</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,503,891	\$ 1,730,476	\$ 5,876,829	\$ 128,169
Cash received from tap-in fees	252,200	-	-	-
Cash received from other operations.	26,904	20,129	23,494	13,128
Cash payments for personal services	(474,484)	(611,628)	(994,653)	-
Cash payments for contract services	(282,303)	(481,509)	(4,320,030)	(52,442)
Cash payments for materials and supplies	(96,074)	(40,806)	(177,118)	-
Cash payments for other expenses.	-	-	(18,195)	(10,409)
Net cash provided by operating activities.	<u>930,134</u>	<u>616,662</u>	<u>390,327</u>	<u>78,446</u>
Cash flows from noncapital financing activities:				
Cash received from property and other taxes	-	-	31,305	-
Cash payments for joint venture expenses	-	-	(145,562)	-
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>(114,257)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(140,303)	(118,854)	(150,101)	(45,030)
Capital contributions	39,645	2,495	-	-
Intergovernmental.	5,045	-	-	-
Sale of notes.	-	-	1,452,000	-
Principal retirement.	(25,050)	(188,174)	(1,452,000)	-
Interest and fiscal charges.	-	(73,767)	(17,521)	-
Net cash used in capital and related financing activities	<u>(120,663)</u>	<u>(378,300)</u>	<u>(167,622)</u>	<u>(45,030)</u>
Net increase in cash and cash equivalents	809,471	238,362	108,448	33,416
Cash and cash equivalents at beginning of year	973,529	1,370,655	4,161,716	438,171
Cash and cash equivalents at end of year	<u>\$ 1,783,000</u>	<u>\$ 1,609,017</u>	<u>\$ 4,270,164</u>	<u>\$ 471,587</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 9,239,365	\$ 937,365
252,200	-
83,655	-
(2,080,765)	-
(5,136,284)	(916,634)
(313,998)	-
(28,604)	-
<u>2,015,569</u>	<u>20,731</u>
31,305	-
(145,562)	-
<u>(114,257)</u>	<u>-</u>
(454,288)	-
42,140	-
5,045	-
1,452,000	-
(1,665,224)	-
(91,288)	-
<u>(711,615)</u>	<u>-</u>
1,189,697	20,731
6,944,071	555,131
<u>\$ 8,133,768</u>	<u>\$ 575,862</u>

--Continued

CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>	<u>Nonmajor</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 676,398	\$ 321,167	\$ 138,050	\$ 77,430
Adjustments:				
Depreciation	249,836	157,829	273,060	2,474
Changes in assets and liabilities:				
Materials and supplies inventory	1,892	20,536	(8,813)	-
Accounts receivable.	(2,435)	17,135	39,496	(798)
Due from other governments	(364)	-	-	-
Prepayments.	6,953	746	965	-
Accounts payable	(381)	189	(65,364)	(660)
Accrued wages and benefits.	575	(1,817)	(572)	-
Due to other governments.	(2,340)	(1,697)	140	-
Compensated absences payable	-	(23,936)	13,365	-
Retirement incentive payable	-	126,510	-	-
Claims payable	-	-	-	-
Net cash provided by operating activities	<u>\$ 930,134</u>	<u>\$ 616,662</u>	<u>\$ 390,327</u>	<u>\$ 78,446</u>

Non-cash transactions:

During 2014, the sewer fund purchased \$7,529 in capital assets on account.

During 2014, the nonmajor enterprise funds purchased \$42,398 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,213,045	\$ 9,000
683,199	-
13,615	-
53,398	(69)
(364)	-
8,664	-
(66,216)	-
(1,814)	-
(3,897)	-
(10,571)	-
126,510	-
-	11,800
\$ 2,015,569	\$ 20,731

CITY OF HUBBARD, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,566	\$ 750
Receivables:		
Real and other taxes.	-	25,168
Due from other governments.	-	1,723
	7,566	\$ 27,641
Total assets	7,566	\$ 27,641
Liabilities:		
Due to other governments.	-	\$ 26,891
Deposits held and due to others	-	750
	-	\$ 27,641
Total liabilities.	-	\$ 27,641
Net position:		
Held in trust for other purposes.	7,566	
Total net position	\$ 7,566	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Private-Purpose Trust
Additions:	
Interest	\$ 2
Total additions	2
Change in net position	2
Net position at beginning of year.	7,564
Net position at end of year	\$ 7,566

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY

The City of Hubbard, Ohio (the "City") was created in 1868. It is located in Trumbull County and is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety (police), Mayor's Court, highways and streets, public improvements, community development (planning and zoning), water, sewer, electric, parks and recreation and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police protection, parks and recreation, water and sewer service, street maintenance and repairs and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The following organizations are described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATIONS

Municipal Energy Services Agency (MESA) - The City has signed an Intergovernmental Joint Venture Agreement with MESA to access a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems; and to provide those services on call, as needed and as available for the benefit of the City. The City will incur no financial obligation to the jointly governed organization unless and until it avails itself of the services of the jointly governed organization.

Hubbard Township-City of Hubbard Joint Economic Development District (JED District) - The City has entered into a contractual agreement with Hubbard Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, Trumbull County, Hubbard Township and the City. The JED District is administered by a five member Board of Directors consisting of a Trustee representative of Hubbard Township, a representative of the City, a representative of business owners within the JED District, a representative of persons working within the JED District, and an additional member selected by the previously mentioned members who shall serve as Board Chairman. The City and Hubbard Township are to make a minimum annual contribution of \$500 each to the JED District's operation reserve fund to provide for administrative costs and expenses of the Board of Directors. In 2014, the Board of Directors waived the \$500 annual contribution. The City has an ongoing financial responsibility to fund the JED District. Upon termination of the contractual agreement, any property, assets and obligations of the JED District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

Eagle Joint Fire District (Fire District) - The Eagle Joint Fire District is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The Fire District was formed in 2008 and consists of the City and Hubbard Township. The Fire District Board consists of a Trustee from the City, a Trustee from Hubbard Township and three residents of the Fire District. A new resident is appointed by the City in odd numbered years and by Hubbard Township in even numbered years. Revenues are generated from Fire District levies. During 2014, the City did not make any contributions to the Fire District.

JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Ventures (OMEGA JV1-OMEGA JV5) - The City's electric enterprise fund participates in a joint venture agreement with twenty other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's eighty-five municipal electric systems. Each member has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the OMEGA JV1 contract. In accordance with the OMEGA JV1 agreement, the City remitted \$8,236 to the OMEGA JV1 for 2014. Complete financial statements for the OMEGA JV1 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

The City is a Financing Participant with an ownership percentage of 2.07 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP. OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014, the City has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$61,849 at December 31, 2014. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

The following is a summary of audited financial information for the OMEGA JV1 and the OMEGA JV5 as of the year ended December 31, 2014:

	<u>OMEGA JV1</u>	<u>OMEGA JV5</u>
Total assets and deferred outflows of resources	\$ 568,595	\$ 124,100,573
Total liabilities and deferred inflows of resources	184,900	121,112,686
Net position	383,695	2,987,887
Total revenues	459,517	15,764,984
Total expenses	479,409	22,549,060
Change in net position	(19,892)	(6,784,076)

The City's undivided ownership of the OMEGA JV1 and the OMEGA JV5 is 3.79 percent and 2.07 percent, respectively.

The City reports equity interest equal to their undivided ownership percentage of the joint ventures members' equity. The OMEGA JV1 does not have any debt outstanding. Separate financial statements for both joint ventures are available through either the City or AMP-Ohio.

The City will report the equity interest of these joint ventures on the statement of net position as follows:

Equity interest in OMEGA JV1	\$ 14,542
Equity interest in OMEGA JV5	<u>61,849</u>
Total investment in joint ventures	<u><u>\$ 76,391</u></u>

The following tables show the major participants and percentage of ownership for the OMEGA JV1 and the OMEGA JV5:

<u>OMEGA JV1</u>		<u>OMEGA JV5</u>	
<u>Participants</u>	<u>Percentage of Ownership</u>	<u>Participants</u>	<u>Percentage of Ownership</u>
Cuyahoga Falls	21.05	Cuyahoga Falls	16.67
Niles	17.71	Bowling Green	15.73
Wadsworth	11.24	Niles	10.63
Hudson	10.38	Napoleon	7.35
Galion	6.53	Jackson	7.14
Oberlin	5.52	Hudson	5.69
Amherst	5.42	Wadsworth	5.62
Hubbard	3.79	Oberlin	3.02
Columbiana	3.02	New Bremen	2.38
Wellington	2.94	Bryan	2.19
Other	<u>12.40</u>	Other	<u>23.58</u>
Total	<u><u>100.00</u></u>	Total	<u><u>100.00</u></u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. On the statement of activities, interfund services provided and used are not eliminated in the process of consolidation.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer, water and electric operations, and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

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

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the operations of providing sewage services to customers and to maintain the local sewer system of the City.

Water fund - This fund accounts for the operations of providing water services to its customers and to maintain the local water system of the City.

Electric fund - This fund accounts for the operations of providing electric services to customers and to maintain the local electric system of the City.

Other enterprise funds of the City are used to account for guarantee trust and stormwater operations.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of hospitalization and health insurance.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are private-purpose trust funds, which account for the maintenance of the Mizner and Hultz family plots, and agency funds, which account for the Mayor's Court and Hubbard Union Cemetery.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

D. Measurement Focus and Basis of Accounting

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private-purpose trust funds are reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

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

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and local government funds), fines and forfeitures, and fees.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, have been recorded as deferred inflows of resources on both the government-wide and fund financial statements. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

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

F. Budgetary Data

The City follows these procedures in establishing the budgetary data reported in the basic financial statements:

Tax Budget - A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only the general fund and major special revenue funds are required to be reported in the basic financial statements.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Estimated Resources - The County Budget Commission (the “Commission”) determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts reported on budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during the year.

Appropriations - A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, function, department and line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of City Council. The amounts reported on budgetary statements reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by City Council.

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority of City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. For all funds, City Council appropriations are made by fund, function (e.g. security of persons and property), department (e.g. police), and line item (e.g. salaries). This is known as the legal level of budgetary control. Any changes in appropriations outside of the legal level of budgetary control require the approval of City Council by an appropriation amendment ordinance.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City’s employee healthcare benefits program, provided that the employees pay the rate established by the plan administrator. The City incurred no expenditures or revenues in providing these services. The participating former employees make premium payments directly to the City’s insurance provider and the insurance provider is responsible for all claims.

H. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City’s records. Each fund’s interest in the pool is presented as “equity in pooled cash and cash equivalents” on the basic financial statements.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

During 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2014, interest revenue credited to the general fund amounted to \$66,593, which includes \$60,709 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. The accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investments at year end is provided in Note 4.

I. Materials and Supplies Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of traffic signals, sidewalks, storm sewers, streets, and water, sewer, and electric lines. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Autos and trucks	4	4
Machinery, equipment, furniture and fixtures	5 - 20	5 - 20
Building improvements	15	15
Sewer and water treatment plants and buildings	N/A	20 - 40
Other buildings	40	40
Infrastructure	15 - 30	20 - 50

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments 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 City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for severance on those employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any employee with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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 applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. Any applicable amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2014 are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expense/expenditure in the year in which services are consumed.

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

M. Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

O. Interfund Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as interfund balances. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

P. Interfund Activity

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

Q. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

R. Estimates

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

S. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of resources intended for technological improvements for the Mayor's Court.

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City 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 City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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;

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 items (1) and (2) above 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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 interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City'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 City Auditor 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.

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 City, 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 City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$1,051 in undeposited cash on hand, which is included on the financial statements of the City as part of "cash in segregated accounts".

B. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits, including \$6,245,406 in nonnegotiable certificates of deposit, was \$10,311,596. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$9,617,678 of the City's bank balance of \$10,342,764 was exposed to custodial credit risk as discussed below, while \$725,086 was covered by the FDIC.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2014, the City had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 5,056	\$ 5,056

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 5,056	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,311,596
Investments	5,056
Cash on hand	1,051
Total	<u>\$ 10,317,703</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,175,619
Business-type activities	8,133,768
Private-purpose trust funds	7,566
Agency funds	750
Total	<u>\$ 10,317,703</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 741,565</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Hubbard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2014 was \$3.10 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2014 property tax receipts were based are as follows:

Real property tax	\$ 106,425,580
Public utility tangible personal property	<u>1,049,090</u>
Total assessed valuation	<u>\$ 107,474,670</u>

NOTE 7 - LOCAL INCOME TAX

The one and a half percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City, however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. For governmental funds, income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2014. Income tax revenue for 2014 was \$2,018,181 in the general fund.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2014.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 513,274
Real and other taxes	365,791
Accounts	25,673
Special assessments	10,173
Due from other governments	242,007

Business-type activities:

Real and other taxes	3,364
Accounts	774,783
Due from other governments	364

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments, which are collected over the life of the assessment.

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CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 597,871	\$ -	\$ -	\$ 597,871
Total capital assets, not being depreciated	<u>597,871</u>	<u>-</u>	<u>-</u>	<u>597,871</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	608,277	-	-	608,277
Buildings and improvements	2,297,951	-	-	2,297,951
Furniture and equipment	644,879	40,295	-	685,174
Vehicles	1,367,733	71,975	-	1,439,708
Infrastructure	<u>5,696,152</u>	<u>234,773</u>	<u>-</u>	<u>5,930,925</u>
Total capital assets, being depreciated	<u>10,614,992</u>	<u>347,043</u>	<u>-</u>	<u>10,962,035</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(339,827)	(30,524)	-	(370,351)
Buildings and improvements	(797,257)	(46,268)	-	(843,525)
Furniture and equipment	(584,465)	(20,632)	-	(605,097)
Vehicles	(1,258,624)	(33,409)	-	(1,292,033)
Infrastructure	<u>(4,428,731)</u>	<u>(201,153)</u>	<u>-</u>	<u>(4,629,884)</u>
Total accumulated depreciation	<u>(7,408,904)</u>	<u>(331,986)</u>	<u>-</u>	<u>(7,740,890)</u>
Total capital assets, being depreciated, net	<u>3,206,088</u>	<u>15,057</u>	<u>-</u>	<u>3,221,145</u>
Governmental activities capital assets, net	<u>\$ 3,803,959</u>	<u>\$ 15,057</u>	<u>\$ -</u>	<u>\$ 3,819,016</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 20,074
Security of persons and property	73,979
Transportation	237,195
Leisure time activity	<u>738</u>
Total depreciation expense - governmental activities	<u>\$ 331,986</u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 180,423	\$ -	\$ -	\$ 180,423
Construction in progress	<u>-</u>	<u>92,574</u>	<u>-</u>	<u>92,574</u>
Total capital assets, not being depreciated	<u>180,423</u>	<u>92,574</u>	<u>-</u>	<u>272,997</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	320,582	-	-	320,582
Buildings and improvements	4,480,493	-	-	4,480,493
Furniture and equipment	6,421,744	21,218	-	6,442,962
Vehicles	909,450	23,134	-	932,584
Infrastructure	<u>16,668,087</u>	<u>367,289</u>	<u>-</u>	<u>17,035,376</u>
Total capital assets, being depreciated	<u>28,800,356</u>	<u>411,641</u>	<u>-</u>	<u>29,211,997</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(226,450)	(12,031)	-	(238,481)
Buildings and improvements	(2,613,143)	(111,931)	-	(2,725,074)
Furniture and equipment	(5,288,401)	(224,785)	-	(5,513,186)
Vehicles	(769,144)	(46,594)	-	(815,738)
Infrastructure	<u>(6,840,478)</u>	<u>(287,858)</u>	<u>-</u>	<u>(7,128,336)</u>
Total accumulated depreciation	<u>(15,737,616)</u>	<u>(683,199)</u>	<u>-</u>	<u>(16,420,815)</u>
Total capital assets, being depreciated, net	<u>13,062,740</u>	<u>(271,558)</u>	<u>-</u>	<u>12,791,182</u>
Business-type activities capital assets, net	<u>\$ 13,243,163</u>	<u>\$ (178,984)</u>	<u>\$ -</u>	<u>\$ 13,064,179</u>

Depreciation expense was charged to business-type activities as follows:

<u>Business-type activities:</u>	
Water	\$ 157,829
Sewer	249,836
Electric	273,060
Stormwater (a nonmajor enterprise fund)	<u>2,474</u>
Total depreciation expense - business-type activities	<u>\$ 683,199</u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - EMPLOYEE BENEFITS

Vacation and sick leave accumulated by governmental fund type employees have been recorded in the statement of net position to the extent the liability was due at year end. Vacation and sick leave earned by proprietary fund type employees is expensed when earned and has been recorded in the fund.

Upon termination of City service, a fully vested employee is entitled to a percentage of accumulated sick leave based on years of service. At December 31, 2014, vested benefits for vacation leave for governmental fund type employees totaled \$66,402 and vested benefits for sick leave totaled \$119,092. For proprietary fund type employees, vested benefits for vacation leave totaled \$66,946 and vested benefits for sick leave totaled \$71,873 at December 31, 2014. Included in the vested benefits for sick leave figures is a liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

The City is also responsible for payments on a retirement incentive provided through the Ohio Public Employees Retirement System (OPERS). The City has elected to make payments on this retirement incentive, which is based on a calculation of service credit cost, over a period of three years.

The governmental activities reported an OPERS retirement incentive that was applicable to one former City employee that received his final payment of \$32,405 during 2014.

The business-type activities reported an OPERS retirement incentive that was applicable to one former City employee who is scheduled to receive a total of \$189,765 in retirement incentive payments through three equal installments of \$63,255. The first payment on this retirement incentive was made by the City during 2014, leaving an outstanding liability in the water fund of \$126,510 at December 31, 2014.

NOTE 11 - SHORT-TERM OBLIGATIONS

The City's short-term obligations at December 31, 2014 were as follows:

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>	<u>Amounts Due in One Year</u>
<u>Bond Anticipation Notes:</u>						
Electric System Improvements	1.00%	\$ -	\$ 1,452,000	\$ -	\$ 1,452,000	\$ 1,452,000

On February 4, 2014, the City issued \$1,452,000 in electric system improvements bond anticipation notes (BANs) at an interest rate of 1.00% through American Municipal Power of Ohio (AMP-Ohio). The BANs, which are a liability of the electric fund, mature on February 3, 2015 (See Note 20).

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS

A. The City's long-term obligations at December 31, 2014 were as follows:

	Interest	Balance			Balance	Amounts
<u>Governmental activities:</u>	<u>Rate</u>	<u>12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14</u>	<u>Due in</u>
						<u>One Year</u>
Refunding bonds	0.60-2.40%	\$ 2,460,000	\$ -	\$ (335,000)	\$ 2,125,000	\$ 340,000
Compensated absences		179,024	109,910	(103,440)	185,494	66,402
Retirement incentives		<u>32,405</u>	<u>-</u>	<u>(32,405)</u>	<u>-</u>	<u>-</u>
Total long-term obligations, governmental activities		<u>\$ 2,671,429</u>	<u>\$ 109,910</u>	<u>\$ (470,845)</u>	<u>\$ 2,310,494</u>	<u>\$ 406,402</u>
<u>Business-type activities:</u>						
<u>OPWC Loans:</u>						
Sewer Issue II Lift Station	0.00%	\$ 64,603	\$ -	\$ (11,747)	\$ 52,856	\$ 11,746
Bar Screen Replacement	0.00%	246,117	-	(13,303)	232,814	13,304
Waterline Looping	0.00%	35,697	-	(6,490)	29,207	6,490
Waterline Replacement	0.00%	65,726	-	(7,733)	57,993	7,732
N. Main Waterline	0.00%	<u>284,951</u>	<u>-</u>	<u>(29,995)</u>	<u>254,956</u>	<u>29,995</u>
Total OPWC loans		<u>697,094</u>	<u>-</u>	<u>(69,268)</u>	<u>627,826</u>	<u>69,267</u>
<u>OWDA Loan:</u>						
Transmission Waterlines	6.58%	<u>1,121,089</u>	<u>-</u>	<u>(143,956)</u>	<u>977,133</u>	<u>153,427</u>
<u>Other Long-term Obligations:</u>						
Retirement incentives		-	189,765	(63,255)	126,510	63,255
Compensated absences		149,390	81,521	(92,092)	138,819	66,946
Electric System Improvements	1.00-1.37%	1,452,000	-	(1,452,000)	-	-
Stranded cost liability		<u>231,588</u>	<u>6,229</u>	<u>(36,653)</u>	<u>201,164</u>	<u>-</u>
Total other long-term obligations		<u>1,832,978</u>	<u>277,515</u>	<u>(1,644,000)</u>	<u>466,493</u>	<u>130,201</u>
Total long-term obligations, business-type activities		<u>\$ 3,651,161</u>	<u>\$ 277,515</u>	<u>\$ (1,857,224)</u>	<u>\$ 2,071,452</u>	<u>\$ 352,895</u>

Compensated absences and retirement incentives will be paid from the fund from which the employee is paid, which is primarily the general fund and the street construction, maintenance, and repair fund (a nonmajor governmental fund) for governmental activities and the electric, sewer and water funds for business-type activities.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The City has entered into five debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a lift station replacement, wastewater bar screen replacement, waterline looping project and two waterline replacements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2014, the City has outstanding borrowings of \$52,856, \$232,814, \$29,207, \$57,993 and \$254,956 in the water and sewer funds. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The City has pledged future water revenues to repay an Ohio Water Development Authority (OWDA) loan related to construction projects. The loan is payable solely from water fund revenues and is payable through 2020. Annual principal and interest payments on the loan are expected to require 45.45 percent of net revenues and 12.56 percent of total revenues. The total principal and interest remaining to be paid on the loan is \$1,197,478. Principal and interest paid for the current year was \$217,723, total net revenues were \$478,996 and total revenues were \$1,733,470.

On November 10, 2012, the City issued \$1,564,000 in electric system improvements bond anticipation notes (BANs) at an annual interest rate of 1.37% through American Municipal Power of Ohio (AMP-Ohio). The BANs were a liability of the electric fund. During 2013, the City made principal payments in the amount of \$112,000, thus reducing the outstanding balance of the BANs to \$1,452,000. Upon maturity of the BANs, the City obtained financing through AMP-Ohio's commercial line of credit for the period of November 2013 through January 2014. On February 4, 2014, the City issued \$1,452,000 in electric system improvements BANs through AMP-Ohio and removed its borrowing from AMP-Ohio's commercial line of credit, effectively eliminating the City's long-term obligation for the BANs issued on November 10, 2012.

On August 16, 2012, the City issued \$2,890,000 in general obligation capital improvement refunding bonds to refund outstanding general obligation capital improvement bonds. The refunded debt was retired during 2012 and, accordingly, has been removed from the statement of net position. The refunding bonds bear an annual interest rate ranging from 0.60% - 2.40% and mature in 2020. The general obligation refunding bonds are secured by the full faith and credit of the City. The general obligation refunding bonds are repaid from the 2005 general obligation bond retirement fund (a nonmajor governmental fund). The principal balance of the general obligation capital improvement refunding bonds at December 31, 2014 is \$2,125,000.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

In 2011, the City was notified it would be held liable for stranded costs associated with the abandonment of the American Municipal Power Generating Station Project (“AMPGS Project”). The City has recorded a long-term obligation for the stranded cost liability in the electric fund (See Note 13 for more detail on the AMPGS Project).

The following is the summary of the City’s future annual debt service and interest requirements for long-term obligations:

Year Ending December 31,	General Obligation			OPWC Loans		
	Capital Improvement	Refunding Bonds		Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 340,000	\$ 40,930	\$ 380,930	\$ 69,267	\$ -	\$ 69,267
2016	345,000	35,830	380,830	69,267	-	69,267
2017	350,000	30,310	380,310	69,267	-	69,267
2018	355,000	24,010	379,010	69,267	-	69,267
2019	365,000	16,910	381,910	60,149	-	60,149
2020 - 2024	370,000	8,880	378,880	190,829	-	190,829
2025 - 2029	-	-	-	66,520	-	66,520
2030 - 2032	-	-	-	33,260	-	33,260
Total	<u>\$ 2,125,000</u>	<u>\$ 156,870</u>	<u>\$ 2,281,870</u>	<u>\$ 627,826</u>	<u>\$ -</u>	<u>\$ 627,826</u>

Year Ending December 31,	OWDA Loan		
	Principal	Interest	Total
2015	\$ 153,427	\$ 64,296	\$ 217,723
2016	163,523	54,200	217,723
2017	174,283	43,440	217,723
2018	185,751	31,972	217,723
2019	197,974	19,750	217,724
2020	102,175	6,687	108,862
Total	<u>\$ 977,133</u>	<u>\$ 220,345</u>	<u>\$ 1,197,478</u>

- C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2014, the City’s total debt margin was \$9,427,903 and the unvoted debt margin was \$5,911,107.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 13 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The City is a member of American Municipal Power (AMP) and was a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project, which was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share of the AMPGS Project was 6,400 kilowatts out of a total 771,281 kilowatts, giving the City a 0.83 percent share. The take-or-pay contracts signed by the City and other AMPGS Project participants obligated these entities to pay any costs incurred for the AMPGS Project.

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and the participants of the AMPGS Project were obligated to pay the costs already incurred. In prior years, the eventual payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. However, as a result of a March 31, 2014 legal ruling, in April 2014 the AMP Board of Trustees and the AMPGS Project participants approved the collection of the impaired costs. AMP then provided each AMPGS Project participant with an estimate of its individual liability.

Consistent with prior years, the City continues to record its obligation for the stranded costs related to the AMPGS Project in accordance with accounting policies established by GASB Statement No. 62. The City's estimated share of the impaired costs at March 31, 2014 was determined to be \$1,104,718. The City received a credit of \$473,371 related to its participation in the AMP Fremont Energy Center Project (the "AFEC Project"), and another credit of \$289,439 related to AMPGS Project costs deemed to have a future benefit for the City (both credits are reported as a regulatory liability in the electric fund). As of December 31, 2014, the City has made total payments of \$146,973 on the AMPGS Project liability, \$36,653 of which occurred during 2014. The City incurred additional costs during 2014 of \$6,229, which resulted in an increase to the liability. The net effect of these transactions is a year-end impaired cost estimate of \$201,164, which is reported as a long-term liability in the City's electric fund.

Now that payments on the outstanding stranded costs associated with the AMPGS Project are probable and reasonably estimable for each AMPGS Project participant, each entity is required to report a liability moving forward. AMP has financed these costs on its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the AMPGS Project could potentially impact each participant's liability. These amounts will be recorded as they become estimable.

The City intends to recover the costs associated with the AMPGS Project liability and repay AMP over the next several years through a power cost adjustment. Thus, this incurred cost has been capitalized and reported as a regulatory asset in the amount of \$963,974 as of December 31, 2014, as allowed by GASB Codification Re10.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City was insured through the Argonaut Insurance Group for all property and equipment, general liability, wrongful acts, law enforcement, public official, employment practices, automobile, employee dishonesty, money and securities, inland marine, EDP and umbrella liability. The insurance plan was purchased through Guy G. Latessa Insurance Agency. The City has transferred risk of loss to the insurance carrier to the extent of the limits below.

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property and Equipment Breakdown	\$34,612,000	\$5,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	3,000,000	0
Law Enforcement Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Public Official Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Employment Practices Liability	1,000,000	10,000
Automobile:		
Liability	1,000,000	0
Comprehensive	1,000,000	500
Collision	1,000,000	500
Employee Dishonesty	250,000	500
Money and Securities	5,000	0
Inland Marine - scheduled	1,808,500	500
EDP	399,000	500
Umbrella Liability	7,000,000	10,000
Inland Marine - hired/leased	200,000	2,500
Cyber Liability	1,000,000	25,000

B. Employee Health Insurance

The City maintains an Employees Health Self-Insurance Fund, which has been classified as an internal service fund in the accompanying basic financial statements. The purpose of this fund is to pay the cost of medical benefits provided to City employees and their covered dependents for which the City is self-insured. The City is self-insured for the first \$45,000 per participant plus a \$25,000 annual aggregating specific; annual claims above such amounts are paid for by specific stop-loss insurance that the City maintains.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - RISK MANAGEMENT - (Continued)

The City had one occurrence in a prior year in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$76,300 reported in the internal service fund at December 31, 2014, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire claims liability is expected to be paid within one year.

Changes in the claims liability amount for the last two years are:

	Balance at Beginning <u>of Year</u>	Current <u>Claims</u>	Claims <u>Payment</u>	Balance at <u>End of Year</u>
2014	\$ 64,500	\$ 928,434	\$ (916,634)	\$ 76,300
2013	102,800	639,658	(677,958)	64,500

C. Workers' Compensation

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate of \$100 of payroll plus administrative costs. The rate is determined based on accident history of the City. The City also pays unemployment claims to the State of Ohio as incurred.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 15 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$198,394, \$217,952, and \$179,912, respectively; 100% has been contributed for 2014, 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$5,663 made by the City and \$4,045 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% for police officers. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers. The City's required contributions for pension obligations to OP&F for police officers was \$126,538 for the year ended December 31, 2014, \$109,296 for the year ended December 31, 2013, and \$88,047 for the year ended December 31, 2012. 100% has been contributed for 2014, 2013 and 2012.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$33,077, \$16,758, and \$74,398, respectively; 100% has been contributed for 2014, 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers was \$3,330 for the year ended December 31, 2014, \$24,557 for the year ended December 31, 2013, and \$46,613 for the year ended December 31, 2012. 100% has been contributed for 2014, 2013 and 2012.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ 102,071
Net adjustment for revenue accruals	2,475
Net adjustment for expenditure accruals	1,201,078
Net adjustment for other sources/uses	(1,193,606)
Funds budgeted elsewhere	<u>(355)</u>
GAAP basis	<u>\$ 111,663</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the income tax fund and the unclaimed monies fund.

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2014.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 19 - FUND BALANCE

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

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepayments	\$ 5,891	\$ 1,168	\$ 7,059
Materials and supplies inventory	5,792	18,908	24,700
Unclaimed monies	3,627	-	3,627
Perpetual care	-	840	840
Total nonspendable	<u>15,310</u>	<u>20,916</u>	<u>36,226</u>
Restricted:			
Street construction and maintenance	-	325,466	325,466
State highway	-	14,196	14,196
Law enforcement	-	20,151	20,151
Maple Grove cemetery	-	8,992	8,992
Police pension	-	24,987	24,987
Perpetual care	-	880	880
Other purposes	-	4,379	4,379
Total restricted	<u>-</u>	<u>399,051</u>	<u>399,051</u>
Committed:			
Law enforcement	-	11,239	11,239
Recreation	-	26,919	26,919
Other purposes	-	395	395
Total committed	<u>-</u>	<u>38,553</u>	<u>38,553</u>
Assigned:			
Debt service	-	268,063	268,063
Capital projects	-	181,185	181,185
Subsequent year's appropriations	<u>138,959</u>	<u>-</u>	<u>138,959</u>
Total assigned	<u>138,959</u>	<u>449,248</u>	<u>588,207</u>
Unassigned	<u>899,512</u>	<u>-</u>	<u>899,512</u>
Total fund balances	<u>\$ 1,053,781</u>	<u>\$ 907,768</u>	<u>\$ 1,961,549</u>

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 20 - SUBSEQUENT EVENT

On February 3, 2015, the City retired \$1,452,000 in electric system improvements bond anticipation notes (BANs), at which point the City was transitioned to AMP-Ohio's commercial line of credit in the amount of \$1,340,000. The City plans to pay down the commercial line of credit in various installments, beginning in 2016.



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

City of Hubbard
Trumbull County
220 W. Liberty Street
Hubbard, Ohio 44425

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, Ohio as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Hubbard's basic financial statements and have issued our report thereon dated June 12, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
City of Hubbard

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
June 12, 2015



Dave Yost • Auditor of State

CITY OF HUBBARD

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
AUGUST 27, 2015**