

**CITY OF HUBBARD
TRUMBULL COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2015

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



Dave Yost • Auditor of State

Council Members
City of Hubbard
220 W. 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, 2015 through December 31, 2015. 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

July 20, 2016

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**CITY OF HUBBARD
TRUMBULL COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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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, 2015 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, 2015, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund and the Street Construction and Maintenance Fund, a major special revenue fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City of Hubbard adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016, 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 20, 2016

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$199,959 from 2014's net position as restated in Note 3. Net position of governmental activities increased \$271,055 or 10.63% from 2014 as restated in Note 3 and net position of business-type activities decreased \$71,096 or 0.40% from 2014 as restated in Note 3.
- General revenues accounted for \$2,895,151 or 85.80% of total governmental activities revenue. Program specific revenues accounted for \$479,285 or 14.20% of total governmental activities revenue.
- The City had \$3,103,381 in expenses related to governmental activities; \$479,285 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,624,096 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$2,895,151.
- The City's major governmental fund is the general fund. The general fund had revenues and other financing sources of \$2,870,165 in 2015. The expenditures and other financing uses of the general fund totaled \$2,778,166 in 2015. The net increase in fund balance for the general fund was \$91,999 or 8.73%.
- The City's other major governmental fund is the street construction and maintenance fund which had revenues and other financing sources of \$674,162 in 2015. The expenditures of the street construction and maintenance fund totaled \$752,113 in 2015. The net decrease in fund balance for the fund was \$77,951.
- Net position for the business-type activities, which are composed of the water, sewer, electric, guarantee trust (utility connection deposits) and stormwater enterprise funds, decreased in 2015 by \$71,096.
- In the general fund, actual budgetary-basis revenues and other financing sources of \$2,130,085 were \$139,738 more than the amount in the final budget. Actual budgetary-basis expenditures and other financing uses of \$2,091,998 were \$11,527 less than the amount in the final budget. Budgeted revenues and other financing sources decreased \$10,889 from the original to the final budget. Budgeted expenditures and other financing uses increased \$45,290 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, 2015

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 2015?" 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 17-19 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 11.

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, 2015

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 funds are the general fund and street construction and maintenance 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 20-25 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 26-33 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 34-35 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 37-80 of this report.

Required Supplementary Information (RSI)

The RSI contains information regarding the City's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and State Teachers Retirement System (STRS) net pension liability/net pension asset and the City's schedule of contributions to OPERS and STRS. The RSI can be found on pages 81 - 88 of this report.

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position.

The City has restated certain balances for 2014 to reflect the implementation of GASB Statements 68 and 71 (see Note 3). The table below provides a summary of the City's net position at December 31, 2015 and December 31, 2014.

	Net Position					
	Governmental Activities 2015	Business-type Activities 2015	Restated	Restated	2015 Total	Restated
			Governmental Activities 2014	Business-type Activities 2014		2014 Total
<u>Assets</u>						
Current and other assets	\$ 3,308,907	\$ 10,978,776	\$ 3,360,478	\$ 10,523,689	\$ 14,287,683	\$ 13,884,167
Capital assets	<u>3,761,373</u>	<u>14,403,818</u>	<u>3,819,016</u>	<u>13,064,179</u>	<u>18,165,191</u>	<u>16,883,195</u>
Total assets	<u>7,070,280</u>	<u>25,382,594</u>	<u>7,179,494</u>	<u>23,587,868</u>	<u>32,452,874</u>	<u>30,767,362</u>
<u>Deferred Outflows of Resources</u>	<u>334,351</u>	<u>228,332</u>	<u>200,336</u>	<u>141,993</u>	<u>562,683</u>	<u>342,329</u>
<u>Liabilities</u>						
Current liabilities	190,306	1,647,407	188,002	2,781,862	1,837,713	2,969,864
Long-term liabilities	<u>4,121,332</u>	<u>6,249,667</u>	<u>4,330,875</u>	<u>3,185,385</u>	<u>10,370,999</u>	<u>7,516,260</u>
Total liabilities	<u>4,311,638</u>	<u>7,897,074</u>	<u>4,518,877</u>	<u>5,967,247</u>	<u>12,208,712</u>	<u>10,486,124</u>
<u>Deferred Inflows of Resources</u>	<u>272,314</u>	<u>22,334</u>	<u>311,329</u>	<u>-</u>	<u>294,648</u>	<u>311,329</u>
<u>Net Position</u>						
Net investment in capital assets	1,976,373	9,436,313	1,694,016	9,957,293	11,412,686	11,651,309
Restricted	241,671	-	502,716	-	241,671	502,716
Unrestricted	<u>602,635</u>	<u>8,255,205</u>	<u>352,892</u>	<u>7,805,321</u>	<u>8,857,840</u>	<u>8,158,213</u>
Total net position	<u>\$ 2,820,679</u>	<u>\$ 17,691,518</u>	<u>\$ 2,549,624</u>	<u>\$ 17,762,614</u>	<u>\$ 20,512,197</u>	<u>\$ 20,312,238</u>

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

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

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

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

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$4,369,249 to \$2,549,624 and business-type activities from \$18,733,461 to \$17,762,614.

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 2014 as compared to the bond anticipation notes classification as a short-term obligation in 2015.

Over time, net position can serve as a useful indicator of a government’s financial position. At December 31, 2015, the City’s assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$20,512,197. At year-end, net position was \$2,820,649 and \$17,691,518 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 55.97% of total assets. Capital assets at December 31, 2015, 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, 2015, was \$1,976,373 and \$9,436,313 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, 2015, 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.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A portion of the City's net position, \$241,671, 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 \$602,635 may be used to meet the government's ongoing obligations to citizens and creditors.

The following table shows the comparative analysis of changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

	Change in Net Position					
	Governmental Activities	Business-type Activities	Restated	Restated	2015 Total	Restated
			Governmental Activities	Business-type Activities		2014 Total
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 37,194	\$ 9,506,099	\$ 38,972	\$ 9,423,993	\$ 9,543,293	\$ 9,462,965
Operating grants and contributions	442,091	-	431,735	5,045	442,091	436,780
Capital grants and contributions	-	32,737	-	42,140	32,737	42,140
Total program revenues	<u>479,285</u>	<u>9,538,836</u>	<u>470,707</u>	<u>9,471,178</u>	<u>10,018,121</u>	<u>9,941,885</u>
General revenues:						
Property taxes	266,638	-	265,683	-	266,638	265,683
Income taxes	2,262,497	-	2,046,065	-	2,262,497	2,046,065
Other local taxes	-	31,505	-	31,474	31,505	31,474
Unrestricted grants and entitlements	163,765	5,370	149,449	-	169,135	149,449
Investment earnings	68,819	-	66,593	-	68,819	66,593
Miscellaneous	133,432	64,781	144,438	98,193	198,213	242,631
Total general revenues	<u>2,895,151</u>	<u>101,656</u>	<u>2,672,228</u>	<u>129,667</u>	<u>2,996,807</u>	<u>2,801,895</u>
Total revenues	<u>3,374,436</u>	<u>9,640,492</u>	<u>3,142,935</u>	<u>9,600,845</u>	<u>13,014,928</u>	<u>12,743,780</u>
Expenses						
General government	419,788	-	358,200	-	419,788	358,200
Security of persons and property	1,561,632	-	1,429,626	-	1,561,632	1,429,626
Public health and welfare	21,846	-	20,889	-	21,846	20,889
Transportation	1,032,435	-	654,672	-	1,032,435	654,672
Community environment	750	-	160	-	750	160
Leisure time activity	26,425	-	20,773	-	26,425	20,773
Interest and fiscal charges	40,505	-	44,922	-	40,505	44,922
Other	-	-	60	-	-	60
Sewer	-	1,186,363	-	1,135,639	1,186,363	1,135,639
Water	-	1,405,321	-	1,516,971	1,405,321	1,516,971
Electric	-	6,995,561	-	6,096,255	6,995,561	6,096,255
Guarantee trust	-	9,202	-	10,409	9,202	10,409
Stormwater	-	115,141	-	54,256	115,141	54,256
Total expenses	<u>3,103,381</u>	<u>9,711,588</u>	<u>2,529,302</u>	<u>8,813,530</u>	<u>12,814,969</u>	<u>11,342,832</u>
Change in net position	271,055	(71,096)	613,633	787,315	199,959	1,400,948
Net position at beginning of year (restated)	<u>2,549,624</u>	<u>17,762,614</u>	N/A	N/A	<u>20,312,238</u>	N/A
Net position at end of year	<u>\$ 2,820,679</u>	<u>\$ 17,691,518</u>	<u>\$ 2,549,624</u>	<u>\$ 17,762,614</u>	<u>\$ 20,512,197</u>	<u>\$ 20,312,238</u>

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$342,329 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$341,552.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 3,103,381	\$ 9,711,588	\$ 12,814,969
Pension expense under GASB 68	(215,458)	(126,094)	(341,552)
2015 contractually required contributions	<u>230,729</u>	<u>167,278</u>	<u>398,007</u>
Adjusted 2015 program expenses	3,118,652	9,752,772	12,871,424
Total 2014 program expenses under GASB 27	<u>2,529,302</u>	<u>8,813,530</u>	<u>11,342,832</u>
Increase in program expenses not related to pension	<u>\$ 589,350</u>	<u>\$ 939,242</u>	<u>\$ 1,528,592</u>

Governmental Activities

The net position of the governmental activities increased \$271,055 or 10.63% in 2015. Security of persons and property expenses increased during 2015 by \$132,006 and transportation expenses increased by 377,763. The net result of the changes in governmental activities expenses was an increase of \$574,079 or 22.70%.

Security of persons and property expenses, which primarily support the operations of the police department, accounted for \$1,561,632 or 50.32% of the total expenses of the City. These expenses were partially funded by \$25,654 in direct charges to users of the services. Transportation expenses accounted for \$1,032,435 or 33.27% of the total expenses of the City. These expenses were partially funded by \$440,891 in operating grants and contributions.

The State and federal government contributed to the City a total of \$442,091 in operating grants and contributions during 2015. These revenues are restricted to a particular program or purpose.

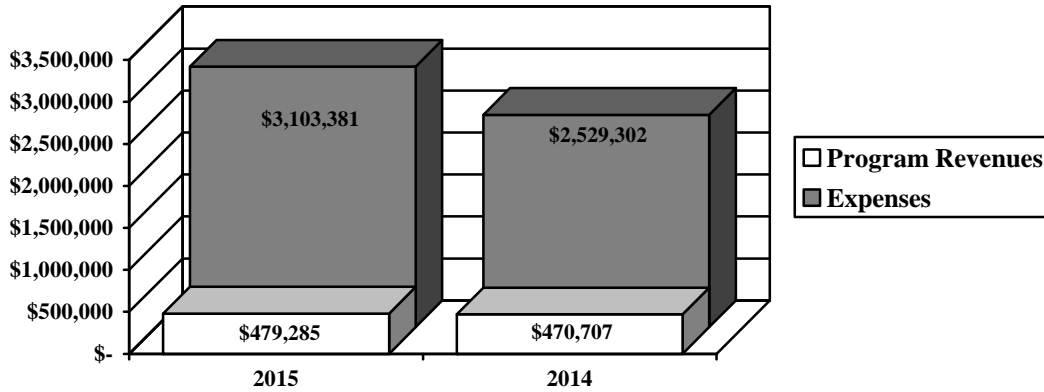
General revenues totaled \$2,895,151, and amounted to 85.80% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,529,135. The other primary source of general revenues is grants and entitlements not restricted to specific programs which make up \$163,765.

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.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. 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 <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program Expenses:				
General government	\$ 419,788	\$ 415,900	\$ 358,200	\$ 350,132
Security of persons and property	1,561,632	1,535,978	1,429,626	1,402,487
Public health and welfare	21,846	14,194	20,889	17,124
Transportation	1,032,435	591,544	654,672	224,241
Community environment	750	750	160	160
Leisure time activity	26,425	25,225	20,773	19,469
Other	-	-	60	60
Interest and fiscal charges	<u>40,505</u>	<u>40,505</u>	<u>44,922</u>	<u>44,922</u>
Total	<u><u>\$ 3,103,381</u></u>	<u><u>\$ 2,624,096</u></u>	<u><u>\$ 2,529,302</u></u>	<u><u>\$ 2,058,595</u></u>

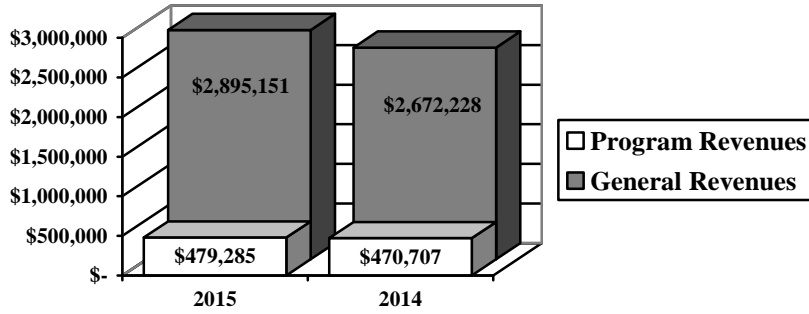
The dependence upon general revenues for governmental activities is apparent, with 84.56% of expenses supported through taxes and other general revenues.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following graph shows a comparison of program revenues and general revenues for governmental activities for 2015 and 2014.

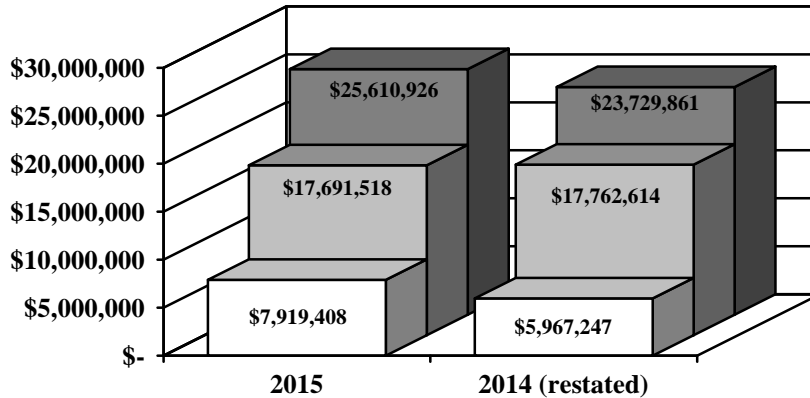
Governmental Activities – Program Revenues and General Revenues



Business-type Activities

Business-type activities include the water, sewer, electric, guarantee trust and stormwater enterprise funds. These programs had program revenues of \$9,538,836, general revenues of \$101,656, and expenses of \$9,711,588 during 2015. The graph below shows the business-type activities assets, deferred outflows of resources, liabilities and net position at December 31, 2015 and December 31, 2014.

Net Position in Business-type Activities



□ Liabilities and deferred inflows □ Net Position ■ Assets and deferred outflows

Business-type activities net position decreased \$71,096 due to revenues continuing to exceed expenses in 2015.

CITY OF HUBBARD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

The City's governmental funds, as presented on the balance sheet, reported a combined fund balance of \$1,871,219, which is \$90,330 less than last year's total of \$1,961,549. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 and December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balances 12/31/15	Fund Balances 12/31/14	Change
General Fund	\$ 1,145,780	\$ 1,053,781	\$ 91,999
Street construction and maintenance	267,591	345,542	(77,951)
Nonmajor Governmental Funds	<u>457,848</u>	<u>562,226</u>	<u>(104,378)</u>
Total	<u>\$ 1,871,219</u>	<u>\$ 1,961,549</u>	<u>\$ (90,330)</u>

General Fund

The City's general fund balance increased \$91,999. The table that follows assists in illustrating the revenues of the general fund.

	2015 Amount	2014 Amount	Percentage Change
Revenues			
Taxes	\$ 2,485,261	\$ 2,254,046	10.26 %
Charges for services	943	599	57.43 %
Licenses and permits	106,060	108,302	(2.07) %
Fines and forfeitures	27,874	16,791	66.01 %
Intergovernmental	153,837	147,209	4.50 %
Investment income	68,819	66,593	3.34 %
Other	<u>22,295</u>	<u>36,135</u>	<u>(38.30) %</u>
Total	<u>\$ 2,865,089</u>	<u>\$ 2,629,675</u>	<u>8.95 %</u>

Overall revenues of the general fund increased \$235,414 or 8.95%. Tax revenue represents 86.74% of all general fund revenue. Taxes increased \$231,215 or 10.26% partially due to an increase in income tax revenue during 2015. Intergovernmental revenue increased \$6,628 or 4.50% primarily due to increases in estate tax revenue and local government funding available to the City during 2015. Fines and forfeitures increased \$11,083 or 66.01%.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

<u>Expenditures</u>	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
General government	\$ 396,709	\$ 363,615	9.10 %
Security of persons and property	1,466,554	1,396,161	5.04 %
Public health and welfare	13,432	13,397	0.26 %
Community environment	750	160	368.75 %
Leisure time activity	6,313	3,054	106.71 %
Other	-	60	(100.00) %
Total	<u><u>\$ 1,883,758</u></u>	<u><u>\$ 1,776,447</u></u>	<u><u>6.04 %</u></u>

Overall expenditures of the general fund increased \$107,311 or 6.04%. General government expenditures increased \$33,094 or 9.10% 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 increased \$70,393 or 5.04% mainly due to increases in salaries and fringe benefits paid to the City's police department during 2015.

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.

In the general fund, actual budgetary-basis revenues and other financing sources of \$2,130,085 were \$139,738 more than the amount in the final budget. Actual budgetary-basis expenditures and other financing uses of \$2,091,998 were \$11,527 less than the amount in the final budget. Budgeted revenues and other financing sources decreased \$10,889 from the original to the final budget. Budgeted expenditures and other financing uses increased \$45,290 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, 2015

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$18,165,191 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, \$3,761,373 was reported in governmental activities and \$14,403,818 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, 2015 balances compared to December 31, 2014.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 597,871	\$ 597,871	\$ 180,423	\$ 180,423	\$ 778,294	\$ 778,294
Constuction in progress	-	-	2,225,624	92,574	2,225,624	92,574
Land improvements	215,202	237,926	70,070	82,101	285,272	320,027
Buildings and improvements	1,408,158	1,454,426	1,643,488	1,755,419	3,051,646	3,209,845
Furniture and equipment	74,465	80,077	704,107	929,776	778,572	1,009,853
Vehicles	146,843	147,675	68,805	116,846	215,648	264,521
Infrastructure	1,318,834	1,301,041	9,511,301	9,907,040	10,830,135	11,208,081
Totals	<u>\$ 3,761,373</u>	<u>\$ 3,819,016</u>	<u>\$ 14,403,818</u>	<u>\$ 13,064,179</u>	<u>\$ 18,165,191</u>	<u>\$ 16,883,195</u>

The overall decrease in governmental capital assets of \$57,643 is due to depreciation expense of \$346,069 exceeding capital outlays of \$288,426 during 2015. The overall increase in business-type capital assets of \$1,339,639 is due to capital outlays of \$2,218,074 exceeding depreciation expense of \$878,435 during 2015.

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 35.06% of the City's total governmental capital assets. Buildings and improvements is also a significant capital asset category, accounting for 37.44% 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 66.03% of the City's total business-type capital assets.

Debt Administration

At December 31, 2015, the City had long-term obligations totaling \$10,370,999. Of this total, \$1,172,909 is due within one year and \$9,198,090 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, 2015**

The City's governmental activities had the following long-term obligations outstanding at December 31, 2015 and December 31, 2014.

	Governmental Activities	
	12/31/2015	Restated 12/31/2014
Refunding bonds	\$ 1,785,000	\$ 2,125,000
Compensated absences	204,663	185,494
Net pension liability	2,131,669	2,020,381
Total long-term obligations	\$ 4,121,332	\$ 4,330,875

The City's business-type activities had the following long-term obligations outstanding at December 31, 2015 and December 31, 2014.

	Business-type Activities	
	December 31, 2015	Restated December 31, 2014
OPWC loans	\$ 558,558	\$ 627,826
OWDA loans	823,705	977,133
Electric system improvements notes (L.O.C.)	1,340,000	-
Sewer revenue bonds	2,000,000	-
Stranded cost liability	174,136	201,164
Net pension liability	1,139,674	1,113,933
Compensated absences	150,339	138,819
Retirement incentives	63,255	126,510
Total long-term obligations	\$ 6,249,667	\$ 3,185,385

Economic Conditions and Next Year's General Fund Budget Outlook

The City's Administration considered the impact of various economic factors when establishing the 2015 budget. The continued stabilization of both revenue and expenditure streams influenced the objectives established in the 2015 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 2015 were \$1,990,347, a decrease of \$27,931 or 1.38% from the final 2014 budgeted amount of \$2,018,278. Final budgeted expenditures and other financing uses in the general fund for 2015 were \$2,103,525, an increase of \$170,908 or 8.84% from the final 2014 budgeted amount of \$1,932,617. For the financial reporting purposes of budgetary activity, the general fund is comprised of only the legally budgeted general fund.

The average unemployment rate for Trumbull County in 2015 was 6.9%, which represents an increase from the 2014 rate of 5.4%. The Trumbull County unemployment rate compared slightly higher than the 5.2% State of Ohio average as well as the 5.0% national average. The City Auditor anticipates the 2015 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.

CITY OF HUBBARD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,113,473	\$ 8,422,125	\$ 10,535,598
Cash with fiscal and escrow agents.	-	228,692	228,692
Cash in segregated accounts.	550	500	1,050
Receivables (net of allowance for uncollectibles):			
Income taxes.	591,396	-	591,396
Real and other taxes.	321,744	3,408	325,152
Accounts.	26,626	775,047	801,673
Special assessments.	6,818	-	6,818
Internal balance.	(48,751)	48,751	-
Due from other governments.	249,530	12,480	262,010
Prepayments.	9,291	13,921	23,212
Materials and supplies inventory.	36,689	457,255	493,944
Investment in joint ventures.	-	75,639	75,639
Regulatory asset.	-	936,946	936,946
Net pension asset.	1,541	4,012	5,553
Capital assets:			
Nondepreciable capital assets.	597,871	2,406,047	3,003,918
Depreciable capital assets, net.	3,163,502	11,997,771	15,161,273
Total capital assets.	<u>3,761,373</u>	<u>14,403,818</u>	<u>18,165,191</u>
Total assets.	<u>7,070,280</u>	<u>25,382,594</u>	<u>32,452,874</u>
Deferred outflows of resources:			
Pension - OPERS.	87,688	228,332	316,020
Pension - OP&F.	246,663	-	246,663
Total deferred outflows of resources.	<u>334,351</u>	<u>228,332</u>	<u>562,683</u>
Liabilities:			
Accounts payable.	13,813	513,056	526,869
Contracts payable.	-	158,630	158,630
Retainage payable.	-	86,612	86,612
Accrued wages and benefits.	38,468	42,845	81,313
Due to other governments.	75,439	67,521	142,960
Accrued interest payable.	2,986	15,933	18,919
Claims payable.	59,600	-	59,600
Regulatory liability.	-	762,810	762,810
Long-term liabilities:			
Due within one year.	418,162	754,747	1,172,909
Due in more than one year:			
Net pension liability.	2,131,669	1,139,674	3,271,343
Other amounts due in more than one year.	1,571,501	4,355,246	5,926,747
Total liabilities.	<u>4,311,638</u>	<u>7,897,074</u>	<u>12,208,712</u>
Deferred inflows of resources:			
Property and other taxes levied for the next fiscal year.	263,737	-	263,737
Pension - OPERS.	8,577	22,334	30,911
Total deferred inflows of resources.	<u>272,314</u>	<u>22,334</u>	<u>294,648</u>
Net position:			
Net investment in capital assets.	1,976,373	9,436,313	11,412,686
Restricted for:			
Street construction and maintenance.	134,109	-	134,109
State highway.	25,695	-	25,695
Law enforcement.	20,429	-	20,429
Police pension.	34,706	-	34,706
Maple Grove cemetery.	18,230	-	18,230
Other purposes.	6,781	-	6,781
Perpetual care:			
Expendable.	881	-	881
Nonexpendable.	840	-	840
Unrestricted.	<u>602,635</u>	<u>8,255,205</u>	<u>8,857,840</u>
Total net position.	<u>\$ 2,820,679</u>	<u>\$ 17,691,518</u>	<u>\$ 20,512,197</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 419,788	\$ 3,888	\$ -	\$ -
Security of persons and property	1,561,632	25,654	-	-
Public health and welfare	21,846	7,652	-	-
Transportation	1,032,435	-	440,891	-
Community environment	750	-	-	-
Leisure time activity	26,425	-	1,200	-
Interest and fiscal charges	40,505	-	-	-
Total governmental activities	<u>3,103,381</u>	<u>37,194</u>	<u>442,091</u>	<u>-</u>
Business-type activities:				
Sewer	1,186,363	1,558,905	-	-
Water	1,405,321	1,680,704	-	32,737
Electric	6,995,561	6,137,663	-	-
Other business-type activities:				
Guarantee trust	9,202	-	-	-
Stormwater	115,141	128,827	-	-
Total business-type activities	<u>9,711,588</u>	<u>9,506,099</u>	<u>-</u>	<u>32,737</u>
Total primary government	<u>\$ 12,814,969</u>	<u>\$ 9,543,293</u>	<u>\$ 442,091</u>	<u>\$ 32,737</u>

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 (restated)	
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
\$ (415,900)	\$ -	\$ (415,900)
(1,535,978)	-	(1,535,978)
(14,194)	-	(14,194)
(591,544)	-	(591,544)
(750)	-	(750)
(25,225)	-	(25,225)
(40,505)	-	(40,505)
<u>(2,624,096)</u>	<u>-</u>	<u>(2,624,096)</u>
-	372,542	372,542
-	308,120	308,120
-	(857,898)	(857,898)
-	(9,202)	(9,202)
-	13,686	13,686
-	<u>(172,752)</u>	<u>(172,752)</u>
<u>(2,624,096)</u>	<u>(172,752)</u>	<u>(2,796,848)</u>
238,941	-	238,941
27,697	-	27,697
2,262,497	-	2,262,497
-	31,505	31,505
163,765	5,370	169,135
68,819	-	68,819
<u>133,432</u>	<u>64,781</u>	<u>198,213</u>
<u>2,895,151</u>	<u>101,656</u>	<u>2,996,807</u>
271,055	(71,096)	199,959
<u>2,549,624</u>	<u>17,762,614</u>	<u>20,312,238</u>
<u>\$ 2,820,679</u>	<u>\$ 17,691,518</u>	<u>\$ 20,512,197</u>

CITY OF HUBBARD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 798,089	\$ 200,960	\$ 451,687	\$ 1,450,736
Cash in segregated accounts.	200	350	-	550
Receivables (net of allowance for uncollectibles):				
Income taxes.	591,396	-	-	591,396
Real and other taxes	288,459	-	33,285	321,744
Accounts.	26,280	46	300	26,626
Special assessments	6,818	-	-	6,818
Due from other governments.	67,018	166,673	15,839	249,530
Prepayments	7,717	1,574	-	9,291
Materials and supplies inventory.	7,537	29,152	-	36,689
Total assets	<u>\$ 1,793,514</u>	<u>\$ 398,755</u>	<u>\$ 501,111</u>	<u>\$ 2,693,380</u>
Liabilities:				
Accounts payable.	\$ 13,541	\$ 272	\$ -	\$ 13,813
Accrued wages and benefits.	30,166	8,302	-	38,468
Due to other governments	60,441	14,998	-	75,439
Total liabilities	<u>104,148</u>	<u>23,572</u>	<u>-</u>	<u>127,720</u>
Deferred inflows of resources:				
Property and other taxes levied for the next fiscal year.	236,453	-	27,284	263,737
Income tax revenue not available	211,580	-	-	211,580
Delinquent property tax revenue not available.	40,635	-	4,689	45,324
Special assessments revenue not available.	6,818	-	-	6,818
Intergovernmental revenue not available.	48,100	107,592	11,290	166,982
Total deferred inflows of resources	<u>543,586</u>	<u>107,592</u>	<u>43,263</u>	<u>694,441</u>
Fund balances:				
Nonspendable	18,913	30,726	840	50,479
Restricted.	-	236,865	90,743	327,608
Committed	-	-	41,973	41,973
Assigned	23,798	-	324,292	348,090
Unassigned.	1,103,069	-	-	1,103,069
Total fund balances.	<u>1,145,780</u>	<u>267,591</u>	<u>457,848</u>	<u>1,871,219</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,793,514</u>	<u>\$ 398,755</u>	<u>\$ 501,111</u>	<u>\$ 2,693,380</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, 2015

Total governmental fund balances	\$	1,871,219
<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.		3,761,373
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	\$ 211,580	
Property taxes receivable	45,324	
Special assessments receivable	6,818	
Intergovernmental receivable	166,982	
Total	430,704	430,704
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(2,986)
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.		603,137
An internal balance is recorded in governmental activities to reflect underpayments or overpayments to the internal service fund by the business-type activities.		(48,751)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(1,785,000)	
Compensated absences payable	(204,663)	
Total	(1,989,663)	(1,989,663)
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows of resources - pension	334,351	
Deferred inflows of resources - pension	(8,577)	
Net pension asset	1,541	
Net pension liability	(2,131,669)	
Total	(1,804,354)	(1,804,354)
Net position of governmental activities	\$	2,820,679

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, 2015

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,245,717	\$ -	\$ -	\$ 2,245,717
Property and other taxes.	239,544	-	27,833	267,377
Charges for services.	943	-	6,575	7,518
Licenses and permits	106,060	-	-	106,060
Fines and forfeitures	27,874	-	3,180	31,054
Intergovernmental.	153,837	400,819	30,976	585,632
Investment income.	68,819	1,876	46	70,741
Other	22,295	2,103	6,341	30,739
Total revenues	<u>2,865,089</u>	<u>404,798</u>	<u>74,951</u>	<u>3,344,838</u>
Expenditures:				
Current:				
General government	396,709	-	-	396,709
Security of persons and property	1,466,554	-	31,072	1,497,626
Public health and welfare.	13,432	-	8,414	21,846
Transportation	-	752,113	26,207	778,320
Community environment	750	-	-	750
Leisure time activity	6,313	-	19,322	25,635
Capital outlay	-	-	339,442	339,442
Debt service:				
Principal retirement.	-	-	340,000	340,000
Interest and fiscal charges	-	-	40,930	40,930
Total expenditures	<u>1,883,758</u>	<u>752,113</u>	<u>805,387</u>	<u>3,441,258</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>981,331</u>	<u>(347,315)</u>	<u>(730,436)</u>	<u>(96,420)</u>
Other financing sources (uses):				
Sale of capital assets.	5,076	1,014	-	6,090
Transfers in	-	268,350	626,058	894,408
Transfers out.	(894,408)	-	-	(894,408)
Total other financing sources (uses)	<u>(889,332)</u>	<u>269,364</u>	<u>626,058</u>	<u>6,090</u>
Net change in fund balances	91,999	(77,951)	(104,378)	(90,330)
Fund balances at beginning of year	<u>1,053,781</u>	<u>345,542</u>	<u>562,226</u>	<u>1,961,549</u>
Fund balances at end of year	<u>\$ 1,145,780</u>	<u>\$ 267,591</u>	<u>\$ 457,848</u>	<u>\$ 1,871,219</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, 2015

Net change in fund balances - total governmental funds \$ (90,330)

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the costs of those
assets are allocated over their estimated useful lives as
depreciation expense.

Capital asset additions	\$	288,426	
Current year depreciation		(346,069)	
Total			(57,643)

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

Income taxes		16,780	
Property taxes		(739)	
Special assessments		(3,355)	
Intergovernmental revenues		10,822	
Total			23,508

In the statement of activities, interest is accrued on
outstanding bonds, whereas in governmental funds, an
interest expenditure is reported when due. 425

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities on the statement of net position. 340,000

Contractually required contributions are reported as expenditures
in the funds; however, the statement of net position reports
these amounts as deferred outflows. 230,729

Except for amounts reported as deferred inflows/outflows,
changes in the net pension asset/liability are reported as
pension expense in the statement of activities. (215,458)

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. (19,169)

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 (\$44,513), is: 58,993

Change in net position of governmental activities \$ 271,055

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and other taxes	\$ 221,435	\$ 220,230	\$ 235,692	\$ 15,462
Charges for services	886	881	943	62
Licenses and permits	99,700	99,157	106,119	6,962
Fines and forfeitures	26,376	26,232	28,074	1,842
Intergovernmental	145,539	144,747	154,909	10,162
Investment income	64,656	64,304	68,819	4,515
Other	20,309	20,200	21,617	1,417
Total revenues	<u>578,901</u>	<u>575,751</u>	<u>616,173</u>	<u>40,422</u>
Expenditures:				
Current:				
General government	324,135	289,920	283,221	6,699
Security of persons and property	1,500,700	1,453,275	1,449,190	4,085
Public health and welfare	13,500	13,500	13,432	68
Community environment	900	830	830	-
Leisure time activity	4,000	6,500	6,313	187
Total expenditures	<u>1,843,235</u>	<u>1,764,025</u>	<u>1,752,986</u>	<u>11,039</u>
Excess of expenditures over revenues	<u>(1,264,334)</u>	<u>(1,188,274)</u>	<u>(1,136,813)</u>	<u>51,461</u>
Other financing sources (uses):				
Sale of capital assets	4,769	4,743	5,076	333
Transfers in	1,417,566	1,409,853	1,508,836	98,983
Transfers out	(215,000)	(339,500)	(339,012)	488
Total other financing sources (uses)	<u>1,207,335</u>	<u>1,075,096</u>	<u>1,174,900</u>	<u>99,804</u>
Net change in fund balance	(56,999)	(113,178)	38,087	151,265
Fund balance at beginning of year	<u>756,343</u>	<u>756,343</u>	<u>756,343</u>	<u>-</u>
Fund balance at end of year	<u>\$ 699,344</u>	<u>\$ 643,165</u>	<u>\$ 794,430</u>	<u>\$ 151,265</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)
 STREET CONSTRUCTION AND MAINTENANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 369,980	\$ 369,980	\$ 402,814	\$ 32,834
Investment income.	1,723	1,723	1,876	153
Other	1,890	1,890	2,057	167
Total revenues	<u>373,593</u>	<u>373,593</u>	<u>406,747</u>	<u>33,154</u>
Expenditures:				
Current:				
Transportation	740,500	761,800	757,653	4,147
Total expenditures	<u>740,500</u>	<u>761,800</u>	<u>757,653</u>	<u>4,147</u>
Excess of expenditures over revenues	<u>(366,907)</u>	<u>(388,207)</u>	<u>(350,906)</u>	<u>37,301</u>
Other financing sources:				
Sale of capital assets.	931	931	1,014	83
Transfers in	246,476	246,476	268,350	21,874
Total other financing sources	<u>247,407</u>	<u>247,407</u>	<u>269,364</u>	<u>21,957</u>
Net change in fund balances	(119,500)	(140,800)	(81,542)	59,258
Fund balances at beginning of year	<u>282,502</u>	<u>282,502</u>	<u>282,502</u>	<u>-</u>
Fund balance at end of year	<u>\$ 163,002</u>	<u>\$ 141,702</u>	<u>\$ 200,960</u>	<u>\$ 59,258</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,222,339	\$ 1,782,982	\$ 3,948,809	\$ 467,995
Cash with fiscal and escrow agents	228,692	-	-	-
Cash in segregated accounts	-	300	200	-
Receivables (net of allowance for uncollectibles):				
Real and other taxes	-	-	3,408	-
Accounts	110,828	124,597	524,865	14,757
Due from other governments	833	11,647	-	-
Prepayments	1,950	7,903	4,068	-
Materials and supplies inventory	6,804	82,197	368,254	-
Total current assets	2,571,446	2,009,626	4,849,604	482,752
Noncurrent assets:				
Net pension asset	818	947	2,247	-
Investment in joint ventures	-	-	75,639	-
Regulatory asset	-	-	936,946	-
Capital assets:				
Nondepreciable capital assets	2,320,702	85,345	-	-
Depreciable capital assets, net	4,718,408	4,448,418	2,642,144	188,801
Total capital assets	7,039,110	4,533,763	2,642,144	188,801
Total noncurrent assets	7,039,928	4,534,710	3,656,976	188,801
Total assets	9,611,374	6,544,336	8,506,580	671,553
Deferred outflows of resources:				
Pension - OPERS	46,543	53,883	127,906	-
Total deferred outflows of resources	46,543	53,883	127,906	-
Liabilities:				
Current liabilities:				
Accounts payable	21,651	51,709	438,636	1,060
Contracts payable	109,830	-	-	48,800
Retainage payable	86,612	-	-	-
Accrued wages and benefits	8,584	10,085	24,176	-
Compensated absences	-	17,435	41,266	-
Retirement incentive payable	-	63,255	-	-
Due to other governments	11,099	13,808	42,614	-
Claims payable	-	-	-	-
Regulatory liability	-	-	762,810	-
Current portion of OWDA loans	-	163,523	-	-
Current portion of OPWC loans	25,050	44,218	-	-
Current portion of revenue bonds	400,000	-	-	-
Accrued interest payable	-	-	15,933	-
Total current liabilities	662,826	364,033	1,325,435	49,860
Long-term liabilities:				
Line of credit payable	-	-	1,340,000	-
Revenue bonds payable	1,600,000	-	-	-
OWDA loans	-	660,182	-	-
OPWC loans	235,570	253,720	-	-
Stranded cost liability	-	-	174,136	-
Compensated absences	-	10,882	80,756	-
Net pension liability	232,311	268,946	638,417	-
Total long-term liabilities	2,067,881	1,193,730	2,233,309	-
Total liabilities	2,730,707	1,557,763	3,558,744	49,860
Deferred inflows of resources:				
Pension - OPERS	4,553	5,271	12,510	-
Total deferred inflows of resources	4,553	5,271	12,510	-
Net position:				
Net investment in capital assets	4,582,048	3,412,120	1,302,144	140,001
Unrestricted	2,340,609	1,623,065	3,761,088	481,692
Total net position	\$ 6,922,657	\$ 5,035,185	\$ 5,063,232	\$ 621,693

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

	Governmental Activities - Internal Service Fund
Total	
\$ 8,422,125	\$ 662,737
228,692	-
500	-
3,408	-
775,047	-
12,480	-
13,921	-
457,255	-
<u>9,913,428</u>	<u>662,737</u>
4,012	-
75,639	-
936,946	-
2,406,047	-
11,997,771	-
<u>14,403,818</u>	<u>-</u>
15,420,415	-
<u>25,333,843</u>	<u>662,737</u>
<u>228,332</u>	<u>-</u>
<u>228,332</u>	<u>-</u>
513,056	-
158,630	-
86,612	-
42,845	-
58,701	-
63,255	-
67,521	-
-	59,600
762,810	-
163,523	-
69,268	-
400,000	-
15,933	-
<u>2,402,154</u>	<u>59,600</u>
1,340,000	-
1,600,000	-
660,182	-
489,290	-
174,136	-
91,638	-
1,139,674	-
<u>5,494,920</u>	<u>-</u>
<u>7,897,074</u>	<u>59,600</u>
22,334	-
<u>22,334</u>	<u>-</u>
9,436,313	-
8,206,454	603,137
<u>17,642,767</u>	<u>\$ 603,137</u>
48,751	-
<u>\$ 17,691,518</u>	

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Operating revenues:				
Tap-in fees	\$ 79,180	\$ -	\$ -	\$ -
Charges for services	1,479,725	1,680,704	6,137,663	128,827
Other	8,069	24,520	19,578	12,614
Total operating revenues.	1,566,974	1,705,224	6,157,241	141,441
Operating expenses:				
Personal services	460,153	486,461	1,072,040	-
Contract services	293,140	671,004	5,052,238	111,477
Materials and supplies	128,326	47,360	322,794	-
Other	-	-	-	9,202
Depreciation	251,734	159,822	463,215	3,664
Total operating expenses.	1,133,353	1,364,647	6,910,287	124,343
Operating income (loss).	433,621	340,577	(753,046)	17,098
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	(4,352)	(52,648)	(17,486)	-
Note issuance costs	-	-	(1,500)	-
Bond issuance costs	(58,827)	-	-	-
Investment in joint ventures	-	-	(752)	-
Intergovernmental revenues	-	5,370	-	-
Other nonoperating expenses	-	-	(87,906)	-
Other nonoperating revenues	-	-	31,505	-
Total nonoperating revenues (expenses).	(63,179)	(47,278)	(76,139)	-
Income (loss) before capital contributions.	370,442	293,299	(829,185)	17,098
Capital contributions	-	32,737	-	-
Change in net position.	370,442	326,036	(829,185)	17,098
Net position at beginning of year (restated).	6,552,215	4,709,149	5,892,417	604,595
Net position at end of year.	\$ 6,922,657	\$ 5,035,185	\$ 5,063,232	\$ 621,693

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>
\$ 79,180	\$ -
9,426,919	747,141
64,781	-
<u>9,570,880</u>	<u>747,141</u>
2,018,654	-
6,127,859	643,635
498,480	-
9,202	-
878,435	-
<u>9,532,630</u>	<u>643,635</u>
<u>38,250</u>	<u>103,506</u>
(74,486)	-
(1,500)	-
(58,827)	-
(752)	-
5,370	-
(87,906)	-
31,505	-
<u>(186,596)</u>	<u>-</u>
(148,346)	103,506
<u>32,737</u>	<u>-</u>
(115,609)	103,506
	<u>499,631</u>
	<u>\$ 603,137</u>
<u>44,513</u>	
<u>\$ (71,096)</u>	

CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

Business-type Activities - Enterprise Funds

	Sewer	Water	Electric	Nonmajor
Cash flows from operating activities:				
Cash received from customers	\$ 1,489,095	\$ 1,683,444	\$ 6,106,795	\$ 128,672
Cash received from tap-in fees	79,180	-	-	-
Cash received from other operations.	13,699	24,520	32,128	12,614
Cash payments for personal services	(470,105)	(553,743)	(1,066,163)	-
Cash payments for contract services	(287,743)	(653,995)	(4,977,859)	(110,567)
Cash payments for materials and supplies	(123,729)	(48,614)	(231,317)	-
Cash payments for other expenses.	-	-	-	(9,202)
Net cash provided by (used in) operating activities.	<u>700,397</u>	<u>451,612</u>	<u>(136,416)</u>	<u>21,517</u>
Cash flows from noncapital financing activities:				
Cash received from property and other taxes	-	-	31,348	-
Cash payments for joint venture expenses	-	-	(87,906)	-
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>(56,558)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,944,137)	(53,513)	-	(25,109)
Capital contributions	-	32,737	-	-
Intergovernmental.	-	5,370	-	-
Proceeds of revenue bonds.	2,000,000	-	-	-
Sale of notes.	-	-	1,340,000	-
Principal retirement.	(25,050)	(197,646)	(1,452,000)	-
Bond issuance costs.	(58,827)	-	-	-
Note issuance costs.	-	-	(1,500)	-
Interest and fiscal charges.	(4,352)	(64,295)	(14,681)	-
Net cash used in capital and related financing activities	<u>(32,366)</u>	<u>(277,347)</u>	<u>(128,181)</u>	<u>(25,109)</u>
Net increase (decrease) in cash and cash equivalents	668,031	174,265	(321,155)	(3,592)
Cash and cash equivalents at beginning of year	<u>1,783,000</u>	<u>1,609,017</u>	<u>4,270,164</u>	<u>471,587</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,451,031</u></u>	<u><u>\$ 1,783,282</u></u>	<u><u>\$ 3,949,009</u></u>	<u><u>\$ 467,995</u></u>

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 9,408,006	\$ 747,210
79,180	-
82,961	-
(2,090,011)	-
(6,030,164)	(660,335)
(403,660)	-
(9,202)	-
<u>1,037,110</u>	<u>86,875</u>
31,348	-
(87,906)	-
<u>(56,558)</u>	<u>-</u>
(2,022,759)	-
32,737	-
5,370	-
2,000,000	-
1,340,000	-
(1,674,696)	-
(58,827)	-
(1,500)	-
(83,328)	-
<u>(463,003)</u>	<u>-</u>
517,549	86,875
8,133,768	575,862
<u>\$ 8,651,317</u>	<u>\$ 662,737</u>

--Continued

CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

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 (used in) operating activities:				
Operating income (loss).	\$ 433,621	\$ 340,577	\$ (753,046)	\$ 17,098
Adjustments:				
Depreciation	251,734	159,822	463,215	3,664
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Materials and supplies inventory	(589)	(450)	101,172	-
Accounts receivable.	15,469	2,740	(18,318)	(155)
Due from other governments	(469)	-	-	-
Prepayments.	(1,453)	(1,510)	(2,632)	-
Net pension asset.	(595)	(689)	(1,635)	-
Deferred outflows - pension - OPERS	(17,599)	(20,375)	(48,365)	-
Accounts payable	5,833	17,676	67,316	910
Accrued wages and benefits.	(429)	1,300	4,706	-
Due to other governments.	5,074	1,647	15,505	-
Compensated absences payable	-	2,783	8,737	-
Retirement incentive payable	-	(63,255)	-	-
Claims payable	-	-	-	-
Net pension liability	5,247	6,075	14,419	-
Deferred inflows - pension- OPERS.	4,553	5,271	12,510	-
Net cash provided by (used in) operating activities	<u>\$ 700,397</u>	<u>\$ 451,612</u>	<u>\$ (136,416)</u>	<u>\$ 21,517</u>

Non-cash transactions:

During 2014, the sewer fund purchased \$7,529 in capital assets on account. During 2015 the sewer fund purchased \$196,442 in capital assets on account.

During 2014, the nonmajor enterprise funds purchased \$42,398 in capital assets on account. During 2015, the nonmajor enterprise funds purchased \$48,800 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 38,250	\$ 103,506
878,435	-
100,133	-
(264)	69
(469)	-
(5,595)	-
(2,919)	-
(86,339)	-
91,735	-
5,577	-
22,226	-
11,520	-
(63,255)	-
-	(16,700)
25,741	-
22,334	-
\$ 1,037,110	\$ 86,875

CITY OF HUBBARD, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,568	\$ 750
Receivables:		
Real and other taxes.	-	22,189
Due from other governments.	-	1,711
	7,568	24,650
Total assets	7,568	\$ 24,650
Liabilities:		
Due to other governments.	-	\$ 23,900
Deposits held and due to others	-	750
	-	24,650
Total liabilities.	-	\$ 24,650
Net position:		
Held in trust for other purposes.	7,568	
Total net position	\$ 7,568	

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, 2015

	<u>Private-Purpose Trust</u>
Additions:	
Interest	<u>\$ 2</u>
Total additions	<u>2</u>
Change in net position	2
Net position at beginning of year.	<u>7,566</u>
Net position at end of year	<u><u>\$ 7,568</u></u>

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, 2015

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, 2015**

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 2015, 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 2015, 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 \$7,294 to the OMEGA JV1 for 2015. 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, 2015

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, 2015, the City has not 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, 2015 to \$49,803,187. 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, 2015. 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, 2015

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, 2015:

	<u>OMEGA JV1</u>	<u>OMEGA JV5</u>
Total assets and deferred outflows of resources	\$ 597,265	\$ 121,168,962
Total liabilities and deferred inflows of resources	233,407	118,181,075
Net position	363,858	2,987,887
Total revenues	565,785	24,451,707
Total expenses	585,622	24,451,707
Change in net position	(19,837)	-

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	\$ 13,790
Equity interest in OMEGA JV5	<u>61,849</u>
Total investment in joint ventures	<u>\$ 75,639</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>100.00</u>	Total	<u>100.00</u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

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 are the City's major governmental funds:

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.

Street construction and maintenance fund - This fund accounts for the portion of state gasoline tax and motor vehicle registration fees restricted for the maintenance of the streets within the City.

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.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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.

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.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

During 2015, 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, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2015, interest revenue credited to the general fund amounted to \$68,819, which includes \$63,555 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.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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>	Governmental Activities <u>Estimated Lives</u>	Business-type Activities <u>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

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

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, 2015 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.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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, net pension liability 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.

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.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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 2015.

U. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>			
Net position as previously reported	\$ 4,369,249			
Net pension asset	420			
Deferred outflows - payments subsequent to measurement date	200,336			
Net pension liability	<u>(2,020,381)</u>			
 Restated net position at January 1, 2015	 <u>\$ 2,549,624</u>			
	<u>Business-Type Activities</u>	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>
Net position as previously reported	\$ 18,733,461	\$ 6,750,112	\$ 4,938,254	\$ 6,436,262
Net pension asset	1,093	223	258	612
Deferred outflows - payments subsequent to measurement date	141,993	28,944	33,508	79,541
Net pension liability	<u>(1,113,933)</u>	<u>(227,064)</u>	<u>(262,871)</u>	<u>(623,998)</u>
 Restated net position at January 1, 2015	 <u>\$ 17,762,614</u>	 <u>\$ 6,552,215</u>	 <u>\$ 4,709,149</u>	 <u>\$ 5,892,417</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

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.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;
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 \$1,050 in undeposited cash on hand, which is included on the financial statements of the City as part of "cash in segregated accounts".

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash with Fiscal and Escrow Agents

At year end, the City had \$228,692 in cash with fiscal and escrow agents related to the issuance of the 2015 sewer revenue bonds. This amount is not included in the amount of deposits with financial institutions below.

C. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits, including \$6,313,822 in nonnegotiable certificates of deposit, was \$10,538,855. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$9,830,241 of the City's bank balance of \$10,555,350 was exposed to custodial credit risk as discussed below, while \$725,109 was covered by the FDIC.

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.

D. Investments

As of December 31, 2015, 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	\$ 5,061	\$ 5,061

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.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 5,061	100.00

E. 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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,538,855
Investments	5,061
Cash on hand	1,050
Cash with escrow agents	<u>228,692</u>
Total	<u>\$ 10,773,658</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,114,023
Business-type activities	8,651,317
Private-purpose trust funds	7,568
Agency funds	<u>750</u>
Total	<u>\$ 10,773,658</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Street construction and maintenance fund	\$ 268,350
Nonmajor governmental funds	<u>626,058</u>
Total	<u>\$ 894,408</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.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015 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 2015 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, 2015 was \$3.10 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2015 property tax receipts were based are as follows:

Real property tax	\$ 107,006,020
Public utility tangible personal property	<u>1,045,900</u>
Total assessed valuation	<u>\$ 108,051,920</u>

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. Income tax revenue for 2015 was \$2,245,717 in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, 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, 2015.

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

Governmental activities:

Income taxes	\$ 591,396
Real and other taxes	321,744
Accounts	26,626
Special assessments	6,818
Due from other governments	249,530

Business-type activities:

Real and other taxes	3,408
Accounts	775,047
Due from other governments	12,480

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.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/15</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	8,000	-	616,277
Buildings and improvements	2,297,951	-	-	2,297,951
Furniture and equipment	685,174	18,132	-	703,306
Vehicles	1,439,708	39,547	(20,965)	1,458,290
Infrastructure	<u>5,930,925</u>	<u>222,747</u>	<u>-</u>	<u>6,153,672</u>
Total capital assets, being depreciated	<u>10,962,035</u>	<u>288,426</u>	<u>(20,965)</u>	<u>11,229,496</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(370,351)	(30,724)	-	(401,075)
Buildings and improvements	(843,525)	(46,268)	-	(889,793)
Furniture and equipment	(605,097)	(23,744)	-	(628,841)
Vehicles	(1,292,033)	(40,379)	20,965	(1,311,447)
Infrastructure	<u>(4,629,884)</u>	<u>(204,954)</u>	<u>-</u>	<u>(4,834,838)</u>
Total accumulated depreciation	<u>(7,740,890)</u>	<u>(346,069)</u>	<u>20,965</u>	<u>(8,065,994)</u>
Total capital assets, being depreciated, net	<u>3,221,145</u>	<u>(57,643)</u>	<u>-</u>	<u>3,163,502</u>
Governmental activities capital assets, net	<u>\$ 3,819,016</u>	<u>\$ (57,643)</u>	<u>\$ -</u>	<u>\$ 3,761,373</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 19,612
Security of persons and property	83,766
Transportation	241,753
Leisure time activity	<u>938</u>
Total depreciation expense - governmental activities	<u>\$ 346,069</u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2015 was as follows:

	Balance <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/15</u>
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 180,423	\$ -	\$ -	\$ 180,423
Construction in progress	<u>92,574</u>	<u>2,133,050</u>	<u>-</u>	<u>2,225,624</u>
Total capital assets, not being depreciated	<u>272,997</u>	<u>2,133,050</u>	<u>-</u>	<u>2,406,047</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	6,442,962	-	-	6,442,962
Vehicles	932,584	-	-	932,584
Infrastructure	<u>17,035,376</u>	<u>85,024</u>	<u>-</u>	<u>17,120,400</u>
Total capital assets, being depreciated	<u>29,211,997</u>	<u>85,024</u>	<u>-</u>	<u>29,297,021</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(238,481)	(12,031)	-	(250,512)
Buildings and improvements	(2,725,074)	(111,931)	-	(2,837,005)
Furniture and equipment	(5,513,186)	(225,669)	-	(5,738,855)
Vehicles	(815,738)	(48,041)	-	(863,779)
Infrastructure	<u>(7,128,336)</u>	<u>(480,763)</u>	<u>-</u>	<u>(7,609,099)</u>
Total accumulated depreciation	<u>(16,420,815)</u>	<u>(878,435)</u>	<u>-</u>	<u>(17,299,250)</u>
Total capital assets, being depreciated, net	<u>12,791,182</u>	<u>(793,411)</u>	<u>-</u>	<u>11,997,771</u>
Business-type activities capital assets, net	<u>\$ 13,064,179</u>	<u>\$ 1,339,639</u>	<u>\$ -</u>	<u>\$ 14,403,818</u>

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

Business-type activities:

Water	\$ 159,822
Sewer	251,734
Electric	463,215
Stormwater (a nonmajor enterprise fund)	<u>3,664</u>
Total depreciation expense - business-type activities	<u>\$ 878,435</u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, vested benefits for vacation leave for governmental fund type employees totaled \$73,162 and vested benefits for sick leave totaled \$131,501. For proprietary fund type employees, vested benefits for vacation leave totaled \$58,701 and vested benefits for sick leave totaled \$91,638 at December 31, 2015. 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 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, the second payment was made during 2015, leaving an outstanding liability in the water fund of \$63,255 at December 31, 2015.

NOTE 11 - SHORT-TERM OBLIGATIONS

The City's short-term obligations at December 31, 2015 were as follows:

	<u>Interest</u>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
<u>Business-type activities:</u>	<u>Rate</u>	<u>12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15</u>	<u>Due in</u>
<u>Bond Anticipation Notes:</u>						<u>One Year</u>
Electric System Improvements	1.00%	\$ 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 were a liability of the electric fund, matured on February 3, 2015.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS

A. The City’s long-term obligations at December 31, 2015 were as follows. The long-term obligations at December 31, 2014 have been restated as described in Note 3.

	Interest	Restated			Balance	Amounts
	Rate	Balance	Additions	Reductions	12/31/15	Due in
<u>Governmental activities:</u>		12/31/14				One Year
Refunding bonds	0.60-2.40%	\$ 2,125,000	\$ -	\$ (340,000)	\$ 1,785,000	\$ 345,000
Compensated absences		185,494	85,571	(66,402)	204,663	73,162
Net pension liability		2,020,381	111,288	-	2,131,669	-
Total long-term obligations, governmental activities		<u>\$ 4,330,875</u>	<u>\$ 196,859</u>	<u>\$ (406,402)</u>	<u>\$ 4,121,332</u>	<u>\$ 418,162</u>
<u>Business-type activities:</u>						
<u>OPWC Loans:</u>						
Sewer Issue II Lift Station	0.00%	\$ 52,856	\$ -	\$ (11,746)	\$ 41,110	\$ 11,746
Bar Screen Replacement	0.00%	232,814	-	(13,304)	219,510	13,304
Waterline Looping	0.00%	29,207	-	(6,491)	22,716	6,490
Waterline Replacement	0.00%	57,993	-	(7,732)	50,261	7,733
N. Main Waterline	0.00%	254,956	-	(29,995)	224,961	29,995
Total OPWC loans		<u>627,826</u>	<u>-</u>	<u>(69,268)</u>	<u>558,558</u>	<u>69,268</u>
<u>OWDA Loan:</u>						
Transmission Waterlines	6.58%	<u>977,133</u>	<u>-</u>	<u>(153,428)</u>	<u>823,705</u>	<u>163,523</u>
<u>Other Long-term Obligations:</u>						
Retirement incentives		126,510	-	(63,255)	63,255	63,255
Compensated absences		138,819	78,466	(66,946)	150,339	58,701
Net pension liability		1,113,933	25,741	-	1,139,674	-
Electric system						
improvements line of credit	1.00-1.37%	-	1,340,000	-	1,340,000	-
Sewer revenue bonds	2.48%	-	2,000,000	-	2,000,000	400,000
Stranded cost liability		201,164	-	(27,028)	174,136	-
Total other long-term obligations		<u>1,580,426</u>	<u>3,444,207</u>	<u>(157,229)</u>	<u>4,867,404</u>	<u>521,956</u>
Total long-term obligations, business-type activities		<u>\$ 3,185,385</u>	<u>\$ 3,444,207</u>	<u>\$ (379,925)</u>	<u>\$ 6,249,667</u>	<u>\$ 754,747</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 for governmental activities and the electric, sewer and water funds for business-type activities.

Net pension liability: See Note 15 for details.

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, 2015, 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.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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 43.51 percent of net revenues and 12.77 percent of total revenues. The total principal and interest remaining to be paid on the loan is \$918,554. Principal and interest paid for the current year was \$217,723, total net revenues were \$500,399 and total revenues were \$1,705,224.

On February 3, 2015, the City was placed on AMP-Ohio's line of credit for \$1,340,000 with an interest rate of 1.24% to retire the bond anticipation notes issued in 2014. There is currently no repayment schedule available.

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, 2015 is \$1,785,000.

On May 1, 2015, the City issued \$2,000,000 in Sewer System Mortgage Revenue Bonds, Series 2015 for the purpose of funding the Municipal Wastewater Dewatering Equipment Replacement Project. The bonds carry an interest rate of 2.48% and have a final maturity date of December 1, 2020. The proceeds of the bonds were deposited with First National Bank in an account where the proceeds will be spent on the project. At December 31, 2015, \$228,692 had yet to be disbursed and is included on the basic financial statements as "cash with fiscal and escrow agents".

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 Capital Improvement Refunding Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 345,000	\$ 35,830	\$ 380,830	\$ 69,268	\$ -	\$ 69,268
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	370,000	8,880	378,880	51,030	-	51,030
2021 - 2025	-	-	-	153,103	-	153,103
2026 - 2030	-	-	-	66,520	-	66,520
2031 - 2032	-	-	-	19,954	-	19,954
Total	<u>\$ 1,785,000</u>	<u>\$ 115,940</u>	<u>\$ 1,900,940</u>	<u>\$ 558,558</u>	<u>\$ -</u>	<u>\$ 558,558</u>

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	OWDA Loan			Sewer Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 163,523	\$ 32,948	\$ 196,471	\$ 400,000	\$ 49,600	\$ 449,600
2017	174,283	26,407	200,690	400,000	39,680	439,680
2018	185,751	19,436	205,187	400,000	29,760	429,760
2019	197,974	12,006	209,980	400,000	19,840	419,840
2020	102,174	4,052	106,226	400,000	9,920	409,920
Total	<u>\$ 823,705</u>	<u>\$ 94,849</u>	<u>\$ 918,554</u>	<u>\$ 2,000,000</u>	<u>\$ 148,800</u>	<u>\$ 2,148,800</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, 2015, the City's total debt margin was \$9,819,147 and the unvoted debt margin was \$5,942,856.

NOTE 13 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 6,400 kilowatts of a total 771,281 kilowatts, giving the City a 0.83 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project.

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share at March 31, 2014 of the impaired costs is \$1,104,718. The City received a credit of \$473,371 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$289,439 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$124,709 leaving a net impaired cost estimate of \$217,199. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP 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 project will impact the City's liability. These amounts will be recorded as they become estimable. Since March 31, 2014 the City has made payments of \$54,404 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is \$8,507 and interest expense incurred on AMP's line-of-credit of \$2,834, resulting in a net impaired cost estimate at December 31, 2015 of \$174,136.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT - (Continued)

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 \$936,946 as of December 31, 2015, as allowed by GASB Codification Re10.

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 2015, 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	\$36,040,000	\$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	0
Umbrella Liability	7,000,000	10,000
Inland Marine - hired/leased	200,000	2,500
Cyber Liability	1,000,000	25,000

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

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; annual claims above such amounts are paid for by specific stop-loss insurance that the City maintains.

The City had one occurrence in a prior year in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$59,600 reported in the internal service fund at December 31, 2015, 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>
2015	\$ 76,300	\$ 643,635	\$ (660,335)	\$ 59,600
2014	64,500	928,434	(916,634)	76,300

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 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$231,519 for 2015. Of this amount, \$36,724 is reported as due to other governments.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
 2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
 Total Employer	 19.50 %
 Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$166,488 for 2015. Of this amount \$21,631 is reported as due to other governments.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,577,352	\$ 1,693,991	\$ 3,271,343
Proportionate share of the net pension asset	5,553	-	5,553
Proportion of the net pension liability	0.01307800%	0.03269990%	
Proportion of the net pension asset	0.01442100%	0.00000000%	
Pension expense	\$ 174,519	\$ 167,033	\$ 341,552

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 84,501	\$ 73,009	\$ 157,510
Difference between employer contributions and proportionate share of contributions	-	7,166	\$ 7,166
City contributions subsequent to the measurement date	231,519	166,488	398,007
Total deferred outflows of resources	<u>\$ 316,020</u>	<u>\$ 246,663</u>	<u>\$ 562,683</u>
Deferred inflows of resources			
Differences between expected and actual experience	29,405	-	29,405
Difference between employer contributions and proportionate share of contributions	1,506	-	1,506
Total deferred inflows of resources	<u>\$ 30,911</u>	<u>\$ -</u>	<u>\$ 30,911</u>

\$398,007 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2016	\$ 7,444	\$ 20,044	\$ 27,488
2017	7,444	20,044	27,488
2018	18,671	20,044	38,715
2019	20,924	20,043	40,967
2020	(201)	-	(201)
Thereafter	(692)	-	(692)
Total	<u>\$ 53,590</u>	<u>\$ 80,175</u>	<u>\$ 133,765</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,901,877	\$ 1,577,352	\$ 461,784
Combined Plan	\$ 721	\$ (5,553)	\$ (10,527)

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 2,343,046	\$ 1,693,991	\$ 1,144,439

CITY OF HUBBARD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 Plan and the Combined Plan. 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/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (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 2015, 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 2015 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, 2015, 2014, and 2013 were \$38,587, \$33,077 and \$16,758, respectively; 87.35% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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, 2015**

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 OPF, 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% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire 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 2015, 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, 2015**

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 were \$4,500 for the year ended December 31, 2015, \$3,330 for the year ended December 31, 2014, and \$24,557 for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 87.35% has been contributed for police for 2015. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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 and street construction and maintenance fund are 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, 2015**

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:

	<u>General fund</u>	Street Construction and <u>Maintenance fund</u>
Budget basis	\$ 38,087	\$ (81,542)
Net adjustment for revenue accruals	61,884	(1,949)
Net adjustment for expenditure accruals	1,271,995	5,540
Net adjustment for other sources/uses	(1,279,824)	-
Funds budgeted elsewhere	<u>(143)</u>	<u>-</u>
GAAP basis	<u>\$ 91,999</u>	<u>\$ (77,951)</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, 2015.

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, 2015.

CITY OF HUBBARD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

Fund balance	General	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepayments	\$ 7,717	\$ 1,574	\$ -	\$ 9,291
Materials and supplies inventory	7,537	29,152	-	36,689
Unclaimed monies	3,659	-	-	3,659
Perpetual care	-	-	840	840
Total nonspendable	<u>18,913</u>	<u>30,726</u>	<u>840</u>	<u>50,479</u>
Restricted:				
Street construction and maintenance	-	236,865	-	236,865
State highway	-	-	16,971	16,971
Law enforcement	-	-	20,429	20,429
Maple Grove cemetery	-	-	18,230	18,230
Police pension	-	-	27,451	27,451
Perpetual care	-	-	881	881
Other purposes	-	-	6,781	6,781
Total restricted	<u>-</u>	<u>236,865</u>	<u>90,743</u>	<u>327,608</u>
Committed:				
Law enforcement	-	-	12,139	12,139
Recreation	-	-	29,439	29,439
Other purposes	-	-	395	395
Total committed	<u>-</u>	<u>-</u>	<u>41,973</u>	<u>41,973</u>
Assigned:				
Debt service	-	-	258,695	258,695
Capital projects	-	-	65,597	65,597
Subsequent year's appropriations	23,798	-	-	23,798
Total assigned	<u>23,798</u>	<u>-</u>	<u>324,292</u>	<u>348,090</u>
Unassigned	<u>1,103,069</u>	<u>-</u>	<u>-</u>	<u>1,103,069</u>
Total fund balances	<u>\$ 1,145,780</u>	<u>\$ 267,591</u>	<u>\$ 457,848</u>	<u>\$ 1,871,219</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.013078%	0.013078%
City's proportionate share of the net pension liability	\$ 1,577,352	\$ 1,541,726
City's covered-employee payroll	\$ 1,584,983	\$ 1,624,262
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	99.52%	94.92%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
City's proportion of the net pension asset	0.014421%	0.014421%
City's proportionate share of the net pension asset	\$ 5,553	\$ 1,513
City's covered-employee payroll	\$ 52,717	\$ 52,292
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.53%	2.89%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.03269990%	0.03269990%
City's proportionate share of the net pension liability	\$ 1,693,991	\$ 1,592,588
City's covered-employee payroll	\$ 767,395	\$ 688,262
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	220.74%	231.44%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 225,514	\$ 190,198	\$ 211,154	\$ 173,157
Contributions in relation to the contractually required contribution	<u>(225,514)</u>	<u>(190,198)</u>	<u>(211,154)</u>	<u>(173,157)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,879,283	\$ 1,584,983	\$ 1,624,262	\$ 1,731,570
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 6,005	\$ 6,326	\$ 6,798	\$ 6,755
Contributions in relation to the contractually required contribution	<u>(6,005)</u>	<u>(6,326)</u>	<u>(6,798)</u>	<u>(6,755)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 50,042	\$ 52,717	\$ 52,292	\$ 84,969
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

Note: Information prior to 2010 for the Combined Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 186,715	\$ 159,271	\$ 154,324	\$ 143,530	\$ 164,541	\$ 171,933
<u>(186,715)</u>	<u>(159,271)</u>	<u>(154,324)</u>	<u>(143,530)</u>	<u>(164,541)</u>	<u>(171,933)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,867,150	\$ 1,786,217	\$ 1,899,372	\$ 2,050,429	\$ 1,970,551	\$ 1,868,837
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 7,292	\$ 9,272	\$ -	\$ -	\$ -	\$ -
<u>(7,292)</u>	<u>(9,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 91,723	\$ 95,719	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

CITY OF HUBBARD, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 166,488	\$ 145,805	\$ 109,296	\$ 88,047
Contributions in relation to the contractually required contribution	<u>(166,488)</u>	<u>(145,805)</u>	<u>(109,296)</u>	<u>(88,047)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 876,253	\$ 767,395	\$ 688,262	\$ 690,565
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 101,196	\$ 101,517	\$ 98,712	\$ 98,907	\$ 99,588	\$ 69,141
<u>(101,196)</u>	<u>(101,517)</u>	<u>(98,712)</u>	<u>(98,907)</u>	<u>(99,588)</u>	<u>(69,141)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 793,694	\$ 796,212	\$ 774,212	\$ 775,741	\$ 781,082	\$ 588,434
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%

CITY OF HUBBARD, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



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, 2015, 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 20, 2016, wherein we noted the City of Hubbard adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68.

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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* as described in the accompanying schedule of findings and responses as item 2015-001.

City of Hubbard's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 20, 2016

**CITY OF HUBBARD
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

The City’s OMEGA Joint Venture JV5 Agreement (the “Agreement”), requires the City 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 revenue obligations.

At December 31, 2015, the coverage was 96%. The City has not met their debt coverage obligation.

Not meeting the debt covenant requirements put the City as risk of defaulting on their debt which could cause an overall cash deficit.

We recommend the City comply with all debt covenants contained in the debt agreement, and investigate utility rates to help ensure future repayment of outstanding obligations.

Client Response: The City Auditor will consult with City officials to work towards a resolve of this matter.

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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 2, 2016**