



Dave Yost • Auditor of State

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District'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 District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hubbard Exempted Village School District, Trumbull County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2017

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Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

As management of the Hubbard Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position of governmental activities decreased from fiscal year 2015 to fiscal year 2016. This decrease can be attributed to the decrease in capital assets due to the School District recognizing an additional year of depreciation offset by current year additions.
- The School District passed an emergency levy renewal on March 15, 2016 for a period of five years. The tax levy was for 5.8 mills which is equal to \$1,218,709 in tax revenue.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These fund financial statements focus on the School District's most significant funds.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

The School District's major governmental funds are the general fund and bond retirement fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2016 compared to 2015.

(Table 1)
Net Position
Governmental Activities

	2016	2015	Change
Assets			
Current and Other Assets	\$12,247,897	\$12,322,270	(\$74,373)
Capital Assets, Net	49,733,775	51,562,720	(1,828,945)
<i>Total Assets</i>	<u>61,981,672</u>	<u>63,884,990</u>	<u>(1,903,318)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,471,132	1,555,427	(84,295)
Pension	2,634,319	1,684,601	949,718
<i>Total Deferred Outflows of Resources</i>	<u>\$4,105,451</u>	<u>\$3,240,028</u>	<u>\$865,423</u>

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

(Table 1)
Net Position (continued)
Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Liabilities			
Current Liabilities	\$2,337,218	\$2,363,767	\$26,549
Long-Term Liabilities			
Due within One Year	1,126,835	1,064,145	(62,690)
Due in More than One Year			
Net Pension Liability	26,053,209	22,905,530	(3,147,679)
Other Amounts	18,491,008	19,047,262	556,254
<i>Total Liabilities</i>	<u>48,008,270</u>	<u>45,380,704</u>	<u>(2,627,566)</u>
Deferred Inflows of Resources			
Property Taxes	6,955,222	7,011,342	56,120
Pension	1,741,020	4,133,063	2,392,043
<i>Total Deferred Inflows of Resources</i>	<u>8,696,242</u>	<u>11,144,405</u>	<u>2,448,163</u>
Net Position			
Net Investment in Capital Assets	33,436,402	34,556,062	(1,119,660)
Restricted for:			
Capital Projects	93,407	110,168	(16,761)
Debt Service	623,197	629,966	(6,769)
Unclaimed Monies	39,694	34,794	4,900
Other Purposes	828,053	943,114	(115,061)
Unrestricted	(25,638,142)	(25,674,195)	36,053
<i>Total Net Position</i>	<u>\$9,382,611</u>	<u>\$10,599,909</u>	<u>(\$1,217,298)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

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

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

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

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

Cash and cash equivalents decreased due to the School District having more expenses than revenues during the fiscal year. The increase in accounts receivable is due to the over payment of interest on one of the School District's debt issues reimbursed after fiscal year-end. The increase in intergovernmental receivable is due to the School District having a larger grant carryover when compared to the prior fiscal year. The decrease in capital assets was due to an additional year of depreciation exceeding current year additions.

Total liabilities increased during fiscal year 2016 which can be attributed to the change in net pension liability offset by the annual payments on the School District's general obligation bonds.

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

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

Hubbard Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2 shows the changes in net position for fiscal year 2016 compared to 2015.

(Table 2)
Change in Net Position
Governmental Activities

	2016	2015	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$2,224,288	\$2,056,267	\$168,021
Operating Grants, Interest and Contributions	2,275,677	2,188,249	87,428
Capital Grants, Interest and Contributions	0	25,450	(25,450)
<i>Total Program Revenues</i>	4,499,965	4,269,966	229,999
<i>General Revenues</i>			
Property Taxes	6,761,337	6,824,318	(62,981)
Grants and Entitlements not Restricted	9,589,023	9,482,186	106,837
Investment Earnings	12,404	17,304	(4,900)
Miscellaneous	299,221	305,304	(6,083)
<i>Total General Revenues</i>	16,661,985	16,629,112	32,873
<i>Total Revenues</i>	21,161,950	20,899,078	262,872
Program Expenses			
Current:			
Instruction:			
Regular	10,134,549	10,266,423	131,874
Special	2,207,944	2,261,229	53,285
Vocational	170,698	111,381	(59,317)
Student Intervention Services	755,187	591,377	(163,810)
Support Services:			
Pupils	945,575	1,013,920	68,345
Instructional Staff	364,174	353,277	(10,897)
Board of Education	15,564	30,122	14,558
Administration	1,327,289	1,437,326	110,037
Fiscal	528,719	726,901	198,182
Business	40,993	27,644	(13,349)
Operation and Maintenance of Plant	1,829,171	1,699,344	(129,827)
Pupil Transportation	964,752	1,007,590	42,838
Central	264,763	289,470	24,707
Extracurricular Activities	859,716	943,844	84,128
Operation of Non-Instructional Services:			
Food Service Operations	784,362	783,068	(1,294)
Other Non-Instructional Services	465,671	409,229	(56,442)
Interest and Fiscal Charges	720,121	679,565	(40,556)
<i>Total Program Expenses</i>	22,379,248	22,631,710	252,462
<i>Change in Net Position</i>	(1,217,298)	(1,732,632)	515,334
<i>Net Position Beginning of Year</i>	10,599,909	12,332,541	(1,732,632)
<i>Net Position End of Year</i>	\$9,382,611	\$10,599,909	(\$1,217,298)

Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The increase in operating grants, interest and contributions can be attributed to the School District receiving an increase in Title I and Title VI-B restricted grants compared to fiscal year 2015.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. The decrease in regular instructional expenses was due to replacing open teaching positions with lower paying new staff members and reducing substitute costs. These decreases were partly offset by negotiated salary increases for the year. Certified staff received longevity step increases. Vertical step progression was reinstated for the fiscal year where the employee stopped when the steps were frozen in the prior negotiated contract. Non-vertically stepping certified staff was paid a one-time only \$1,000 stipend. The decrease in support expenses was due various factors. One-time costs for the sports facilities project increased professional services in the prior fiscal years. These costs were not present for fiscal year 2016. Due to isolated issues not present in fiscal year 2016, legal fees decreased for the fiscal year as well. Transportation repair expense and fuel costs decreased from the prior fiscal year due to lower fuel prices.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2016 compared to 2015.

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

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$13,268,378	\$10,175,365	\$13,230,410	\$10,404,091
Support Services:				
Pupils and Instructional Staff	1,309,749	1,299,923	1,367,197	1,357,497
Board of Education, Administration				
Fiscal and Business	1,912,565	1,798,020	2,221,993	2,157,784
Operation and Maintenance of Plant	1,829,171	1,752,832	1,699,344	1,605,079
Pupil Transportation	964,752	943,790	1,007,590	959,706
Central	264,763	259,363	289,470	284,070
Extracurricular Activities	859,716	673,378	943,844	574,995
Operation of Non-Instructional Services:				
Food Service Operations	784,362	31,412	783,068	37,803
Other Non-Instructional Services	465,671	225,079	409,229	301,154
Interest and Fiscal Charges	720,121	720,121	679,565	679,565
<i>Total Expenses</i>	<u>\$22,379,248</u>	<u>\$17,879,283</u>	<u>\$22,631,710</u>	<u>\$18,361,744</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2016. The community, as a whole, is by far the primary support for the Hubbard Exempted Village School District.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

Financial Analysis of the Government's Funds

Governmental Fund Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to revenues exceeding expenditures in the current fiscal year. Intergovernmental revenue increased due to an increase in enrollment and donations increased. Delinquent Property tax collections were down compared to the prior fiscal year partly offsetting those increases. Instructional and support service expenditures decreased in the current fiscal year due to the School District replacing open positions with lower paying new staff members and reducing substitute costs. Transportation repair and fuel costs decreased from the prior fiscal year due to lower fuel prices. The bond retirement fund balance decreased from the prior fiscal year due to decreases in delinquent property tax collections. Other governmental funds had a decrease in fund balance due to a decrease in grant monies requested and received during the fiscal year. Grant money awarded increased for the fiscal year but the School District did not receive it all by fiscal year-end. Capital Outlay expenditures increased over the prior year due to the new district-wide network upgrades started during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016 the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Capital Assets and Long-term Liabilities

Capital Assets Table 4 shows fiscal year 2016 balances compared to fiscal year 2015.

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

	2016	2015
Land	\$462,720	\$462,720
Construction in Progress	267,638	162,157
Land Improvements	4,211,421	4,293,826
Buildings and Improvements	44,134,207	45,788,327
Furniture and Fixtures	504,384	643,581
Vehicles	153,405	212,109
Total	<u>\$49,733,775</u>	<u>\$51,562,720</u>

The decrease in capital assets can be attributed to an additional year of depreciation during the fiscal year which was offset by current year additions. The improvements to the athletic facility that included the track and softball field was complete in fiscal year 2016. At the end of the fiscal year, the School District started district-wide network upgrades. This project will be completed during fiscal year 2017. Additional information on the School District's capital assets can be found in note 10 of the basic financial statements.

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

(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities	
	2016	2015
Classroom Facilities Bonds	\$17,134,191	\$17,659,884
Athletic Facilities Lease Purchase	1,260,000	1,395,000
Net Pension Liability	26,053,209	22,905,530
Compensated Absences	1,223,652	1,056,523
Totals	<u>\$45,671,052</u>	<u>\$43,016,937</u>

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

Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

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

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

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

As of June 30, 2016, the School District's overall legal debt margin was \$4,371,965 with an unvoted debt margin of \$204,215. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 11 within the Notes to the Basic Financial Statements for further information on debt.

Current Financial Related Activities

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

The School District has managed its financial operations with prudence, while continually monitoring revenues and expenditures in accordance with the five year forecast. The current forecast projects year end balances through fiscal year 2021. The forecast indicates a positive balance through 2019 and a deficit balance beginning in 2020 and continuing through 2021.

The School District passed two emergency levy renewals in 2015 and 2016. The May 5, 2015 renewal was for 4.9 mills, which is equal to \$1,024,214 in tax revenue. The March 15, 2016 renewal was for 5.8 mills, which is equal to \$1,218,709 in tax revenue.

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

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

Hubbard Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Contacting the School District's Financial Management

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

Basic Financial Statements

Hubbard Exempted Village School District

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,333,267
Cash and Cash Equivalents With Fiscal Agents	14,313
Accrued Interest Receivable	1,270
Accounts Receivable	355,519
Intergovernmental Receivable	407,770
Inventory Held for Resale	15,362
Taxes Receivable	8,120,396
Nondepreciable Capital Assets	730,358
Depreciable Capital Assets, Net	<u>49,003,417</u>
<i>Total Assets</i>	<u>61,981,672</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,471,132
Pension	<u>2,634,319</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,105,451</u>
Liabilities	
Accounts Payable	30,482
Accrued Wages	1,772,340
Contracts Payable	161,633
Retainage Payable	14,313
Intergovernmental Payable	272,948
Matured Compensated Absences Payable	22,170
Accrued Interest Payable	40,561
Vacation Benefits Payable	22,771
Long-Term Liabilities:	
Due Within One Year	1,126,835
Due in More Than One Year	
Net Pension Liability (See Note 16)	26,053,209
Other Amounts	<u>18,491,008</u>
<i>Total Liabilities</i>	<u>48,008,270</u>
Deferred Inflows of Resources	
Property Taxes	6,955,222
Pension	<u>1,741,020</u>
<i>Total Deferred Inflows of Resources</i>	<u>8,696,242</u>
Net Position	
Net Investment in Capital Assets	33,436,402
Restricted for:	
Capital Projects	93,407
Debt Service	623,197
Unclaimed Monies	39,694
Other Purposes	828,053
Unrestricted (Deficit)	<u>(25,638,142)</u>
<i>Total Net Position</i>	<u>\$9,382,611</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$10,134,549	\$1,518,817	\$464,719	(\$8,151,013)
Special	2,207,944	0	1,083,972	(1,123,972)
Vocational	170,698	0	14,573	(156,125)
Student Intervention Services	755,187	0	10,932	(744,255)
Support Services:				
Pupils	945,575	0	2,740	(942,835)
Instructional Staff	364,174	0	7,086	(357,088)
Board of Education	15,564	0	0	(15,564)
Administration	1,327,289	0	55,290	(1,271,999)
Fiscal	528,719	0	59,255	(469,464)
Business	40,993	0	0	(40,993)
Operation and Maintenance of Plant	1,829,171	76,339	0	(1,752,832)
Pupil Transportation	964,752	0	20,962	(943,790)
Central	264,763	0	5,400	(259,363)
Extracurricular Activities	859,716	165,765	20,573	(673,378)
Operation of Non-Instructional Services:				
Food Service Operations	784,362	326,791	426,159	(31,412)
Other Non-Instructional Services	465,671	136,576	104,016	(225,079)
Interest and Fiscal Charges	720,121	0	0	(720,121)
Totals	\$22,379,248	\$2,224,288	\$2,275,677	(17,879,283)

General Revenues

Property Taxes Levied for:

General Purposes	5,729,718
Debt Service	947,073
Classroom Facilities	84,546
Grants and Entitlements not Restricted to Specific Programs	9,589,023
Investment Earnings	12,404
Miscellaneous	299,221

Total General Revenues 16,661,985

Change in Net Position (1,217,298)

Net Position Beginning of Year 10,599,909

Net Position End of Year \$9,382,611

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,113,599	\$169,707	\$1,010,267	\$3,293,573
Cash and Cash Equivalents With Fiscal Agents	14,313	0	0	14,313
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	39,694	0	0	39,694
Receivables:				
Property Taxes	6,896,266	1,123,792	100,338	8,120,396
Accounts	15,307	340,212	0	355,519
Intergovernmental	129,566	0	278,204	407,770
Interfund Receivable	12,405	0	0	12,405
Accrued Interest Receivable	1,270	0	0	1,270
Inventory Held for Resale	0	0	15,362	15,362
<i>Total Assets</i>	<u>\$9,222,420</u>	<u>\$1,633,711</u>	<u>\$1,404,171</u>	<u>\$12,260,302</u>
Liabilities				
Accounts Payable	\$26,312	\$0	\$4,170	\$30,482
Accrued Wages	1,623,773	0	148,567	1,772,340
Contracts Payable	42,683	0	118,950	161,633
Retainage Payable	14,313	0	0	14,313
Intergovernmental Payable	255,894	0	17,054	272,948
Interfund Payable	0	0	12,405	12,405
Matured Compensated Absences Payable	22,170	0	0	22,170
<i>Total Liabilities</i>	<u>1,985,145</u>	<u>0</u>	<u>301,146</u>	<u>2,286,291</u>
Deferred Inflows of Resources				
Property Taxes	5,908,170	961,229	85,823	6,955,222
Unavailable Revenue	967,097	158,748	279,898	1,405,743
<i>Total Deferred Inflows of Resources</i>	<u>6,875,267</u>	<u>1,119,977</u>	<u>365,721</u>	<u>8,360,965</u>
Fund Balances:				
Nonspendable	39,694	0	0	39,694
Restricted	0	513,734	756,496	1,270,230
Committed	0	0	76,835	76,835
Assigned	322,314	0	0	322,314
Unassigned (Deficit)	0	0	(96,027)	(96,027)
<i>Total Fund Balances</i>	<u>362,008</u>	<u>513,734</u>	<u>737,304</u>	<u>1,613,046</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$9,222,420</u>	<u>\$1,633,711</u>	<u>\$1,404,171</u>	<u>\$12,260,302</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016*

Total Governmental Funds Balances		\$1,613,046
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		49,733,775
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	1,137,828	
Intergovernmental	<u>267,915</u>	
Total		1,405,743
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental fund:		
Deferred Outflows - Pension	2,634,319	
Deferred Inflows - Pension	(1,741,020)	
Net Pension Liability	<u>(26,053,209)</u>	
Total		(25,159,910)
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(40,561)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(22,771)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Classroom Facilities Bonds	(15,138,055)	
Athletic Facilities Lease Purchase	(1,260,000)	
Bond Premium	(2,077,409)	
Bond Discount	81,273	
Compensated Absences	(1,223,652)	
Deferred Charge on Refunding	<u>1,471,132</u>	
Total		<u>(18,146,711)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$9,382,611</u></u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$5,742,387	\$953,888	\$85,153	\$6,781,428
Intergovernmental	10,220,730	175,386	1,299,728	11,695,844
Interest	12,404	0	381	12,785
Charges for Services	142,851	0	326,791	469,642
Tuition and Fees	1,518,817	0	0	1,518,817
Extracurricular Activities	32,897	0	126,593	159,490
Rentals	76,339	0	0	76,339
Contributions and Donations	21,187	0	20,573	41,760
Miscellaneous	298,138	0	1,083	299,221
<i>Total Revenues</i>	<u>18,065,750</u>	<u>1,129,274</u>	<u>1,860,302</u>	<u>21,055,326</u>
Expenditures				
Current:				
Instruction:				
Regular	7,975,642	0	366,799	8,342,441
Special	1,892,086	0	316,064	2,208,150
Vocational	143,385	0	0	143,385
Student Intervention Services	744,816	0	10,371	755,187
Support Services:				
Pupils	943,947	0	7,000	950,947
Instructional Staff	288,356	0	6,976	295,332
Board of Education	15,564	0	0	15,564
Administration	1,298,170	0	48,612	1,346,782
Fiscal	500,237	19,578	1,749	521,564
Business	40,993	0	0	40,993
Operation and Maintenance of Plant	1,835,396	0	0	1,835,396
Pupil Transportation	927,524	0	0	927,524
Central	261,884	0	5,400	267,284
Extracurricular Activities	467,517	0	108,594	576,111
Operation of Non-Instructional Services:				
Food Service Operations	0	0	752,564	752,564
Other Non-Instructional Services	352,339	0	145,742	498,081
Capital Outlay	42,683	0	332,694	375,377
Debt Service:				
Principal Retirement	135,000	542,429	0	677,429
Interest and Fiscal Charges	43,144	455,332	0	498,476
Capital Appreciation Bond Accretion	0	122,571	0	122,571
<i>Total Expenditures</i>	<u>17,908,683</u>	<u>1,139,910</u>	<u>2,102,565</u>	<u>21,151,158</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>157,067</u>	<u>(10,636)</u>	<u>(242,263)</u>	<u>(95,832)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	5,908	5,908
Transfers Out	(5,908)	0	0	(5,908)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,908)</u>	<u>0</u>	<u>5,908</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	151,159	(10,636)	(236,355)	(95,832)
<i>Fund Balances Beginning of Year</i>	<u>210,849</u>	<u>524,370</u>	<u>973,659</u>	<u>1,708,878</u>
<i>Fund Balances End of Year</i>	<u>\$362,008</u>	<u>\$513,734</u>	<u>\$737,304</u>	<u>\$1,613,046</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds (\$95,832)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	324,634	
Current Year Depreciation	<u>(2,153,579)</u>	
Total		(1,828,945)

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

Delinquent Property Taxes	(20,091)	
Intergovernmental	<u>126,715</u>	
Total		106,624

Repayment of bond principal as well as capital appreciation bond accretion are expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

800,000

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest	1,957	
Amortization of Accretion	(264,183)	
Amortization of Bond Premium	129,230	
Amortization of Bond Discount	(4,354)	
Amortization of Deferred Charge on Refunding	<u>(84,295)</u>	
Total		(221,645)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(167,129)	
Vacation Benefits Payable	<u>(4,453)</u>	
Total		(171,582)

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

1,478,947

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

(1,284,865)

Change in Net Position of Governmental Activities

(\$1,217,298)

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,907,673	\$5,742,700	\$5,742,700	\$0
Intergovernmental	9,909,908	10,121,862	10,121,862	0
Interest	15,235	14,735	13,966	(769)
Charges for Services	159,224	143,081	143,081	0
Tuition and Fees	1,319,351	1,518,817	1,518,817	0
Extracurricular Activities	0	8,993	8,993	0
Rentals	68,565	76,339	76,339	0
Contributions and Donations	22,161	15,552	15,552	0
Miscellaneous	272,295	262,720	271,158	8,438
<i>Total Revenues</i>	17,674,412	17,904,799	17,912,468	7,669
Expenditures				
Current:				
Instruction:				
Regular	8,635,768	8,028,816	8,030,348	(1,532)
Special	2,098,821	1,907,804	1,907,804	0
Vocational	138,939	144,144	144,144	0
Student Intervention Services	627,370	737,879	737,879	0
Support Services:				
Pupils	1,020,525	964,299	964,299	0
Instructional Staff	267,909	290,653	290,653	0
Board of Education	17,802	15,588	15,588	0
Administration	1,517,904	1,278,342	1,278,342	0
Fiscal	618,243	510,909	510,909	0
Business	29,326	40,993	40,993	0
Operation and Maintenance of Plant	1,802,959	1,847,741	1,847,741	0
Pupil Transportation	981,598	946,360	946,360	0
Central	306,292	268,737	268,737	0
Extracurricular Activities	467,316	458,318	458,318	0
Operation of Non-Instructional Services:				
Other Non-Instructional Services	324,826	350,179	350,179	0
Capital Outlay	217,307	42,683	42,683	0
Debt Service:				
Principal Retirement	125,000	135,000	135,000	0
Interest and Fiscal Charges	47,369	43,144	43,144	0
<i>Total Expenditures</i>	19,245,274	18,011,589	18,013,121	(1,532)
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,570,862)	(106,790)	(100,653)	6,137
Other Financing Sources (Uses)				
Advances In	26	6,356	6,356	0
Advances Out	(6,356)	0	(12,405)	(12,405)
Transfers Out	(41,122)	(5,908)	(5,908)	0
<i>Total Other Financing Sources (Uses)</i>	(47,452)	448	(11,957)	(12,405)
<i>Net Change in Fund Balance</i>	(1,618,314)	(106,342)	(112,610)	(6,268)
<i>Fund Balance Beginning of Year</i>	2,134,521	2,134,521	2,134,521	0
Prior Year Encumbrances Appropriated	42,683	42,683	42,683	0
<i>Fund Balance End of Year</i>	\$558,890	\$2,070,862	\$2,064,594	(\$6,268)

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$120,088</u></u>
Liabilities	
Due to Students	<u><u>\$120,088</u></u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Note 1 - Description of the School District and Reporting Entity

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The School District ranks as the 249th largest by enrollment among the 608 public school districts in the State. The Board of Education controls the School District's K-12 campus with 3 separate instructional facilities staffed by 94 classified employees, 126 certified employees and 15 administrators who provide services to 1,980 students in grades K through 12 and other community members.

Reporting Entity

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

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

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The detail of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Pension of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 16)

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

Budgetary Data

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

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

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

Cash and Cash Equivalents

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

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

During fiscal year 2016, investments were limited to repurchase agreements, mutual funds and nonnegotiable certificates of deposit.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$12,404, of which \$4,126 was assigned from other School District funds.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Restricted Assets

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

Inventory

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

Capital Assets

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

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

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

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

Interfund Balances

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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

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

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

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

Fund Balance

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance is to cover a gap between estimated resources and appropriations in fiscal year 2017’s budget.

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

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

Net Position

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

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums and Discounts

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

Estimates

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

Note 3 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Nonspendable</i>				
Unclaimed Funds	\$39,694	\$0	\$0	\$39,694
<i>Restricted for</i>				
Classroom Facilities Maintenance	0	0	648,319	648,319
Athletics	0	0	784	784
Auxiliary Services	0	0	9,875	9,875
Technology Improvements	0	0	1,524	1,524
Student Instruction	0	0	2,147	2,147
Remedial Reading	0	0	440	440
Debt Service Payments	0	513,734	0	513,734
Capital Improvemnts	0	0	93,407	93,407
<i>Total Restricted</i>	\$0	\$513,734	\$756,496	\$1,270,230

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Committed to</i>				
Underground Storage Unit	\$0	\$0	\$11,000	\$11,000
College Scholarships	0	0	65,835	65,835
<i>Total Committed</i>	0	0	76,835	76,835
<i>Assigned to</i>				
Fiscal Year 2017 Operations	279,702	0	0	279,702
Other Purposes	42,612	0	0	42,612
<i>Total Assigned</i>	322,314	0	0	322,314
Unassigned (Deficit)	0	0	(96,027)	(96,027)
Total Fund Balances	\$362,008	\$513,734	\$737,304	\$1,613,046

Note 4 - Budgetary Basis of Accounting

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

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$151,159
Net Adjustment for Revenue Accruals	(208,684)
Advances In	6,356
Beginning Fair Value Adjustment for Investments	1,316
Net Adjustment for Expenditure Accruals	3,684
Perspective Difference:	
Public School Support	(11,353)
Advances Out	(12,405)
Encumbrances	<u>(42,683)</u>
Budget Basis	<u><u>(\$112,610)</u></u>

Note 5 – Accountability

Accountability

Fund balances at June 30, 2016, included the following individual non-major fund deficits:

Special Revenue Funds

Food Service	\$53,337
Title VI-B	18,797
Title I	20,222
Title II-A	3,671

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

Note 6 - Deposits and Investments

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

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Investments

Investments are reported at fair value. As of June 30, 2016, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody Rating	Percent of Total Investments
Cost				
Repurchase Agreements	\$1,525,293	Less than one year	Aaa	43.84 %
Fair Value				
Negotiable Certificate of Deposits	\$1,703,316	Less than two years	NA	48.96
Invesco Short-term Investments Trust				
Government & Agency Mutual Funds	<u>250,585</u>	Less than one year	Aaa	7.20
Total Portfolio	<u>\$3,479,194</u>			

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

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

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

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2016 was \$23,190 in the general fund, \$3,815 in the bond retirement fund and \$341 in the classroom facilities fund. The amount available as an advance at June 30, 2015 was \$23,503 in the general fund and \$3,981 in the bond retirement fund and \$355 in the classroom facilities fund.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$196,815,730	96.63%	\$197,037,650	96.49%
Public Utility Personal	6,860,080	3.37	7,177,060	3.51
Total	\$203,675,810	100.00%	\$204,214,710	100.00%
 Full Tax Rate per \$1,000 of assessed valuation	\$58.60		\$58.80	

Note 8 - Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title VI-B	\$139,183
Title I	125,892
Trumbull County ESC Shared Services Refund	86,081
School Employee Retirement System	27,304
Improving Teacher Quality	13,129
School Foundation FY 2016 Adjustment	7,540
Medicaid Reimbursement	5,976
School Foundation FY 2015 Adjustment	2,665
Total	\$407,770

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 9 - Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$5,908 to the food service special revenue fund to support food service operations.

Interfund Balances

Interfund balances at June 30, 2016, consist of an interfund receivable/payable between the general fund and the food service special revenue fund in the amount of \$7,913 and the district managed student activity special revenue fund in the amount of \$4,492. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Nondepreciable Capital Assets				
Land	\$462,720	\$0	\$0	\$462,720
Construction in Progress	162,157	324,634	(219,153)	267,638
<i>Total Nondepreciable Capital Assets</i>	<u>624,877</u>	<u>324,634</u>	<u>(219,153)</u>	<u>730,358</u>
Depreciable Capital Assets				
Land Improvements	5,912,730	219,153	0	6,131,883
Buildings and Improvements	53,155,595	0	0	53,155,595
Furniture and Fixtures	1,343,518	0	0	1,343,518
Vehicles	1,569,141	0	(17,976)	1,551,165
<i>Total at Historical Cost</i>	<u>61,980,984</u>	<u>219,153</u>	<u>(17,976)</u>	<u>62,182,161</u>
Less: Accumulated Depreciation				
Land Improvements	(1,618,904)	(301,558)	0	(1,920,462)
Buildings and Improvements	(7,367,268)	(1,654,120)	0	(9,021,388)
Furniture and Fixtures	(699,937)	(139,197)	0	(839,134)
Vehicles	(1,357,032)	(58,704)	17,976	(1,397,760)
<i>Total Accumulated Depreciation</i>	<u>(11,043,141)</u>	<u>(2,153,579) *</u>	<u>17,976</u>	<u>(13,178,744)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>50,937,843</u>	<u>(1,934,426)</u>	<u>0</u>	<u>49,003,417</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$51,562,720</u>	<u>(\$1,609,792)</u>	<u>(\$219,153)</u>	<u>\$49,733,775</u>

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,740,869
Support Services	
Instructional Staff	68,822
Operation and Maintenance of Plant	15,784
Pupil Transportation	56,089
Extracurricular Activities	240,170
Operation of Non-Instructional Services:	
Food Service Operations	25,720
Other Non-Instructional Services	6,125
Total Depreciation Expense	\$2,153,579

Note 11 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding June 30, 2015	Additions	Deductions	Principal Outstanding June 30, 2016	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2007 Classroom Facilities Improvement Bonds					
Current Interest Serial Bonds 3.60 - 4.00 %	\$465,000	\$0	(\$465,000)	\$0	\$0
Capital Appreciation Bonds 4.10 %	203,533	0	0	203,533	203,533
Accretion on Capital Appreciation Bonds	242,534	44,846	0	287,380	287,380
Premium on Bonds	17,449	0	(8,725)	8,724	0
Total 2007 Classroom Facilities Improvement Bonds	928,516	44,846	(473,725)	499,637	490,913
2013 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 3.50 %	7,380,000	0	0	7,380,000	0
Capital Appreciation Bonds 1.25 - 2.15%	69,991	0	(27,429)	42,562	14,666
Accretion on Capital Appreciation Bonds	228,334	191,024	(122,571)	296,787	135,334
Current Interest Term Bonds 2.75 %	330,000	0	0	330,000	0
Premium on Bonds	1,533,563	0	(77,978)	1,455,585	0
Discount on Bonds	(85,627)	0	4,354	(81,273)	0
Total 2013 Classroom Facilities Improvement Bonds	9,456,261	191,024	(223,624)	9,423,661	150,000
2014 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 4.00 %	6,510,000	0	(50,000)	6,460,000	40,000
Current Interest Term Bonds 2.25 %	100,000	0	0	100,000	0
Capital Appreciation Bonds 1.37 %	4,998	0	0	4,998	0
Accretion on Capital Appreciation Bonds	4,482	28,313	0	32,795	0
Premium on Bonds	655,627	0	(42,527)	613,100	0
Total 2014 Classroom Facilities Improvement Bonds	7,275,107	28,313	(92,527)	7,210,893	40,000
Total General Obligation Bonds	\$17,659,884	\$264,183	(\$789,876)	\$17,134,191	\$680,913

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

	Principal Outstanding June 30, 2015	Additions	Deductions	Principal Outstanding June 30, 2016	Amount Due in One Year
Governmental Activities					
Other Long-term Obligations					
Net Pension Liability:					
STRS	\$18,300,123	\$2,646,945	\$0	\$20,947,068	\$0
SERS	4,605,407	500,734	0	5,106,141	0
<i>Total Net Pension Liability</i>	<u>22,905,530</u>	<u>3,147,679</u>	<u>0</u>	<u>26,053,209</u>	<u>0</u>
2014 Athletics Facilities Lease Purchase Obligation	1,395,000	0	(135,000)	1,260,000	140,000
Compensated Absences	1,056,523	431,274	(264,145)	1,223,652	305,922
<i>Total Other Long-term Obligations</i>	<u>25,357,053</u>	<u>3,578,953</u>	<u>(399,145)</u>	<u>28,536,861</u>	<u>445,922</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$43,016,937</u>	<u>\$3,843,136</u>	<u>(\$1,189,021)</u>	<u>\$45,671,052</u>	<u>\$1,126,835</u>

On March 22, 2007, the School District issued \$18,598,533 in voted general obligation classroom facilities improvement bonds which include serial, term and capital appreciation (deep discount) bonds in the amounts of \$5,010,000, \$13,385,000 and \$203,533, respectively. The general obligation classroom facilities improvement bonds were issued for the purpose of providing funding for the construction of three new school buildings on a centralized campus. During fiscal years 2013 and 2015, a portion of the serial and term bonds were retired by the School District through an advance refunding. The original general obligation bonds were issued for a twenty-nine year period with final maturity at December 1, 2034, and after the advance refunding has a final maturity at December 1, 2030.

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

The maturity amount of outstanding capital appreciation bonds is \$515,000. The accretion recorded for fiscal year 2016 was \$44,846, for a total outstanding bond liability of \$490,913 at June 30, 2016.

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

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

The maturity amount of outstanding capital appreciation bonds is \$1,835,000. The accretion recorded for fiscal year 2016 was \$191,024, for a total outstanding bond liability of \$339,349 at June 30, 2016.

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

On October 8, 2013, the School District issued \$1,520,000 lease purchase obligations (LPOs), for use in acquiring, constructing and installing improvements to athletic facilities and equipment. The LPOs issuance included issuance costs of \$20,000. The LPOs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The LPOs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Huntington National Bank, and then leased back to the School District. The LPOs were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for ten successive one year term through June 30, 2024, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 3.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date on and after December 1, 2018 by paying the amount necessary to defease the Indenture.

Annual base rent requirements to retire the lease purchase obligations outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	\$140,000	\$38,675	\$178,675
2018	145,000	34,043	179,043
2019	150,000	29,250	179,250
2020	155,000	24,293	179,293
2021	160,000	19,175	179,175
2022 - 2024	510,000	25,188	535,188
Total	\$1,260,000	\$170,624	\$1,430,624

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

The capital appreciation bonds were originally sold at a discount of \$300,000. The accretion recorded for fiscal year 2016 was \$28,313, for a total outstanding bond liability of \$37,793 at June 30, 2016.

The term bond matures on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue \$100,000
2019	\$20,000
2020	20,000
2021	20,000
2022	20,000
Total Mandatory Sinking Fund Payments	80,000
Amount Due at Stated Maturity	20,000
Total	\$100,000
<i>Stated Maturity</i>	<i>12/1/2023</i>

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

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

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

The overall debt margin of the School District as of June 30, 2016 was \$4,371,965 with an unvoted debt margin of \$204,215. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016 are as follows:

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Fiscal Year Ending June 30	General Obligation Bonds - Classroom Facilities Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$40,000	\$434,158	\$218,199	446,801	\$0	\$11,324
2018	140,000	432,808	12,840	437,160	0	11,324
2019	455,000	427,208	4,192	145,808	0	11,324
2020	0	422,658	10,309	679,691	20,000	11,099
2021	0	213,908	5,553	689,447	20,000	10,649
2022 - 2026	3,630,000	1,907,071	0	0	150,000	44,921
2027 - 2031	4,425,000	1,281,805	0	0	240,000	16,913
2032 - 2035	5,150,000	336,333	0	0	0	0
Total	<u>\$13,840,000</u>	<u>\$5,455,949</u>	<u>\$251,093</u>	<u>\$2,398,907</u>	<u>\$430,000</u>	<u>\$117,554</u>

Note 12 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Ohio Casualty for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$76,850,282
Fleet Insurance	6,000,000
Aggregate	6,000,000
General Liability - per Occurrence	5,000,000
Aggregate	5,000,000

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

Worker's Compensation

For fiscal year 2016, the School District participated in the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the program is to achieve the benefit of a reduced premium for the School District by virtue of its groupin and representation with other participants in the program. The participating schools districts pay experience or rate based premiums to the Bureau of Workers' Compensation (BWC). The total premium for the entire group is the standard premium of the group. The BWC recalculates the group retrospective premium 12 months after the end of the policy year, based on developed incurred claim losses. If the new calculated premium is lower than the standard premium, the BWC will distribute a refund to the school districts in the group. Participation in the program is limited to school districts that can meet the Ohio Schools Council's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services for the program.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 13 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$47,472 to NEOMIN during fiscal year 2016.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Hubbard Exempted Village School District was not represented on the Governing Board during fiscal year 2016. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

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

Note 14 – Related Organization

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

Note 15 - Insurance Purchasing Pool

The School District participates in the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The program was created for the purpose of reducing the cost of workers' compensation premiums.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Note 16 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$390,796 for fiscal year 2016. Of this amount \$35,935 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,088,151 for fiscal year 2016. Of this amount \$152,188 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.09099900%	0.07523651%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.08948570%</u>	<u>0.07579336%</u>	
Change in Proportionate Share	<u>-0.00151330%</u>	<u>0.00055685%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,106,141	\$20,947,068	\$26,053,209
Pension Expense	\$302,780	\$982,085	\$1,284,865

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$82,218	\$954,922	\$1,037,140
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	118,232	118,232
School District contributions subsequent to the measurement date	<u>390,796</u>	<u>1,088,151</u>	<u>1,478,947</u>
Total Deferred Outflows of Resources	<u>\$473,014</u>	<u>\$2,161,305</u>	<u>\$2,634,319</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$169,183	\$1,506,490	\$1,675,673
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>65,347</u>	<u>0</u>	<u>65,347</u>
Total Deferred Inflows of Resources	<u>\$234,530</u>	<u>\$1,506,490</u>	<u>\$1,741,020</u>

\$1,478,947 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$82,318)	(\$310,407)	(\$392,725)
2018	(82,318)	(310,407)	(392,725)
2019	(82,707)	(310,407)	(393,114)
2020	<u>95,032</u>	<u>497,885</u>	<u>592,917</u>
Total	<u>(\$152,311)</u>	<u>(\$433,336)</u>	<u>(\$585,647)</u>

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

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

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

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

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,080,382	\$5,106,141	\$3,443,667

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$29,097,057	\$20,947,068	\$14,055,037

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 17 – Postemployment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$46,407.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$69,760 and \$70,139, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$77,900, respectively. The full amount has been contributed for 2014.

Note 18 - Other Employee Benefits

Compensated Absences

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

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

Employee Benefits

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

<u>Premiums By Plan Type</u>	<u>Single</u>	<u>Employee and Spouse</u>	<u>Employee and Child(ren)</u>	<u>Family</u>
Medical Plan	\$652.51	\$1,276.56	\$1,063.09	\$1,787.13
Dental Plan	32.90	57.09	70.66	104.80
Vision Plan	8.37	16.37	17.15	24.75

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

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 19 - Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

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

Litigation

As of June 30, 2016, the School District was not party to any legal proceedings.

Note 20 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2015	\$0
Prior Year Carryover	(15,063,524)
Current Year Set-aside Requirement	350,622
Total	<u>(\$14,712,902)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$14,521,095)</u>
Set-aside Reserve Balance as of June 30, 2016	<u>\$0</u>

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Note 21 – Encumbrances

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

Governmental Funds	
General	\$42,683
Other Governmental Funds	154,188
<i>Total Governmental Funds</i>	<u><u>\$196,871</u></u>

Note 22 – Change in Accounting Principle

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Required Supplementary Information

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0894857%	0.0909990%	0.0909990%
School District's Proportionate Share of the Net Pension Liability	\$5,106,141	\$4,605,407	\$5,411,418
School District's Covered Payroll	\$2,716,297	\$2,644,260	\$2,616,290
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.98%	174.17%	206.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07579336%	0.07523651%	0.07523651%
School District's Proportionate Share of the Net Pension Liability	\$20,947,068	\$18,300,123	\$21,798,987
School District's Covered Payroll	\$7,937,271	\$7,634,450	\$8,440,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	263.91%	239.70%	258.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$390,796	\$358,008	\$366,494	\$362,095
Contributions in Relation to the Contractually Required Contribution	<u>(390,796)</u>	<u>(358,008)</u>	<u>(366,494)</u>	<u>(362,095)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,791,400	\$2,716,300	\$2,644,260	\$2,616,290
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$352,998	\$332,851	\$351,363	\$253,086	\$263,913	\$251,558
<u>(352,998)</u>	<u>(332,851)</u>	<u>(351,363)</u>	<u>(253,086)</u>	<u>(263,913)</u>	<u>(251,558)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,624,520	\$2,647,976	\$2,595,000	\$2,572,013	\$2,687,500	\$2,355,412
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,088,151	\$1,111,218	\$992,479	\$1,097,268
Contributions in Relation to the Contractually Required Contribution	<u>(1,088,151)</u>	<u>(1,111,218)</u>	<u>(992,479)</u>	<u>(1,097,268)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$7,772,507	\$7,937,271	\$7,634,450	\$8,440,523
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,129,575	\$1,182,375	\$1,141,567	\$1,142,080	\$1,106,125	\$1,093,812
<u>(1,129,575)</u>	<u>(1,182,375)</u>	<u>(1,141,567)</u>	<u>(1,142,080)</u>	<u>(1,106,125)</u>	<u>(1,093,812)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,689,038	\$9,095,192	\$8,781,285	\$8,785,231	\$8,508,654	\$8,413,938
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
National School Breakfast Program	2015/2016	10.553	\$57,645	\$57,645
National School Lunch Program	2015/2016	10.555	352,992	352,992
<i>Non-Cash Assistance:</i>				
National School Lunch Program	2015/2016	10.555	48,136	48,136
<i>Total Nutrition Cluster</i>			<u>458,773</u>	<u>458,773</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I				
Title I Grants to Local Educational Agencies	2015	84.010	52,078	52,086
Title I Grants to Local Educational Agencies	2016	84.010	300,384	286,349
<i>Total Title I Grants to Local Educational Agencies</i>			<u>352,462</u>	<u>338,435</u>
Special Education (IDEA)				
Special Education Grants to States	2015	84.027	44,219	44,222
Special Education Grants to States	2016	84.027	346,113	320,299
<i>Total Special Education Grants to States</i>			<u>390,332</u>	<u>364,521</u>
Improving Teacher Quality State Grants Title II, Part A				
Improving Teacher Quality State Grants	2015	84.367	8,434	8,434
Improving Teacher Quality State Grants	2016	84.367	60,918	60,918
<i>Total Improving Teacher Quality State Grants</i>			<u>69,352</u>	<u>69,352</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>812,146</u>	<u>772,308</u>
TOTALS			<u>\$1,270,919</u>	<u>\$1,231,081</u>

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hubbard Exempted Village School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Hubbard Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Hubbard Exempted Village School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Hubbard Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2017

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): Special Education Cluster Title I	CFDA 84.027 CFDA 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

1. Overpayment of Debt Interest Payment

<i>Finding Number</i>	2016-001
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SIGNIFICANT DEFICIENCY

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

**Finding Number 2016-001
(Continued)**

“Internal control” means a process affected by an entity’s governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives over the reliability of financial reporting.

The control procedures over the review of the monthly accounting reports failed to recognize an overpayment of interest.

The District received an invoice from their bank for a bond interest payment in the amount of \$340,213. The District made the related payment on May 20, 2016. The invoice was sent by the bank in error, and the interest payment was not due based on the District’s amortization schedule. The error was recognized during the annual financial statement compilation. The bank was contacted and the District was repaid in September 2016. The financial statements have been adjusted to correct for the overpayment of interest.

The District should review all debt payments to ensure they are made in accordance with the amortization schedules. The District should review the monthly accounting reports to ensure any errors are promptly recognized and corrected.

Official’s Response: Beginning in December of 2016, the District will review all bank invoices with Eric Prall of Ross Sinclair & Associates (or his designee), who handled our bond refinance. We will also compare them to the debt schedule. No payments will be made until all are in agreement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Bank Reconciliations	Corrective Action Taken and Finding is Fully Corrected	

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District contacted their bank to inform an overpayment had been made. The District was repaid in FY17.	September 7, 2016	Amber Babik, Treasurer

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HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2017