



OHIO AUDITOR OF STATE
KEITH FABER



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2023**

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**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Hubbard Exempted Village School District, Trumbull County, Ohio as of June 30, 2023, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2024

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Hubbard Exempted Village School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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, 2023. 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 2022 to fiscal year 2023. This was mainly due to an increase in the net pension liability and decrease in capital assets. The decrease in capital assets was due to an additional year of depreciation. The change in net pension liability was related to changes in assumptions, benefit terms and return on investments related to pension as well as OPEB.
- The School District has three Emergency Levies that need to be renewed every five years. These levies must pass by majority vote of the community in order for the School District to keep collecting their related 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

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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. The School District's major governmental fund is the general fund. All of the funds of the School District are governmental.

Governmental Funds All 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.

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 fiscal year 2023 compared to fiscal year 2022.

(Table 1)
Net Position
Governmental Activities

	2023	2022	Change
Assets			
Current and Other Assets	\$20,401,627	\$19,704,375	\$697,252
Net OPEB Asset	1,733,620	1,406,574	327,046
Capital Assets, Net	36,782,622	38,753,896	(1,971,274)
<i>Total Assets</i>	<u>58,917,869</u>	<u>59,864,845</u>	<u>(946,976)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	178,645	202,732	(24,087)
Pension	4,406,939	4,369,004	37,935
OPEB	398,019	473,248	(75,229)
<i>Total Deferred Outflows of Resources</i>	<u>\$4,983,603</u>	<u>\$5,044,984</u>	<u>(\$61,381)</u>

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023*

**(Table 1)
Net Position (continued)
Governmental Activities**

	2023	2022	Change
Liabilities			
Current Liabilities	\$3,000,711	\$2,707,320	(\$293,391)
Long-Term Liabilities			
Due within One Year	1,517,952	1,474,258	(43,694)
Due in More than One Year			
Net Pension Liability	19,308,615	11,593,319	(7,715,296)
Net OPEB Liability	1,178,882	1,624,808	445,926
Other Amounts	13,498,334	14,554,157	1,055,823
<i>Total Liabilities</i>	38,504,494	31,953,862	(6,550,632)
Deferred Inflows of Resources			
Deferred Gain on Refunding	58,908	64,144	5,236
Property Taxes	8,593,418	8,576,840	(16,578)
Pension	1,912,255	9,566,300	7,654,045
OPEB	2,893,559	2,708,740	(184,819)
<i>Total Deferred Inflows of Resources</i>	13,458,140	20,916,024	7,457,884
Net Position			
Net Investment in Capital Assets	23,809,212	24,720,198	(910,986)
Restricted for:			
Capital Projects	19,784	23,712	(3,928)
Debt Service	772,087	779,273	(7,186)
Unclaimed Monies	18,404	16,588	1,816
OPEB Plans	330,935	14,933	316,002
Other Purposes	1,592,233	1,484,615	107,618
Unrestricted (Deficit)	(14,603,817)	(14,999,376)	395,559
<i>Total Net Position</i>	\$11,938,838	\$12,039,943	(\$101,105)

The net pension liability (NPL) is one of the largest single liability reported by the School District at June 30, 2023. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Current assets increased mainly due to an increase in cash and cash equivalents offset by decreases in both intergovernmental and taxes receivables. The decrease in intergovernmental receivable is due to a decrease in carryover grant balances compared to the prior fiscal year. The decrease in capital assets was due to an additional year of depreciation.

The School District had an increase in total liabilities which can be attributed to an increase in the net pension liabilities offset by the current year payments on the outstanding bonds payable. The net pension liability increase represents the School District's proportionate share of the unfunded benefits. As indicated above, changes in pension benefits, assumptions, contribution rates, and return on investments affect the balance of the net pension liability. Current Liabilities increased due to increases in both accrued wages, intergovernmental payables and matured compensated absences.

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, 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.

Table 2 shows the changes in net position for fiscal year 2023 compared to restated fiscal year 2022.

(Table 2)
Change in Net Position
Governmental Activities

	2023	2022	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,187,474	\$835,153	\$352,321
Operating Grants, Interest and Contributions	3,657,332	4,127,717	(470,385)
Total Program Revenues	4,844,806	4,962,870	(118,064)
General Revenues			
Property Taxes	8,704,531	8,668,327	36,204
Grants and Entitlements not Restricted	10,945,701	10,947,437	(1,736)
Investment Earnings/Interest	66,150	(16,929)	83,079
Miscellaneous	553,647	582,323	(28,676)
Total General Revenues	20,270,029	20,181,158	88,871
Total Revenues	\$25,114,835	\$25,144,028	(\$29,193)

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023*

**(Table 2)
Change in Net Position (continued)
Governmental Activities**

	2023	2022	Change
Program Expenses			
Current:			
Instruction:			
Regular	\$11,639,216	\$10,507,912	(\$1,131,304)
Special	3,138,620	2,936,735	(201,885)
Vocational	153,489	54,322	(99,167)
Student Intervention Services	205,208	106,055	(99,153)
Support Services:			
Pupils	957,955	774,077	(183,878)
Instructional Staff	380,011	329,858	(50,153)
Board of Education	22,549	23,292	743
Administration	1,649,488	1,366,033	(283,455)
Fiscal	588,458	556,024	(32,434)
Business	36,927	57,012	20,085
Operation and Maintenance of Plant	2,059,322	2,015,480	(43,842)
Pupil Transportation	1,399,326	1,099,997	(299,329)
Central	299,206	242,368	(56,838)
Extracurricular Activities	947,883	900,449	(47,434)
Operation of Non-Instructional Services:			
Food Service Operations	916,327	918,617	2,290
Other Non-Instructional Services	478,774	411,230	(67,544)
Debt Service:			
Interest	343,181	374,286	31,105
<i>Total Program Expenses</i>	<u>25,215,940</u>	<u>22,673,747</u>	<u>(2,542,193)</u>
<i>Change in Net Position</i>	(101,105)	2,470,281	(2,571,386)
<i>Net Position Beginning of Year</i>	<u>12,039,943</u>	<u>9,569,662</u>	<u>2,470,281</u>
<i>Net Position End of Year</i>	<u>\$11,938,838</u>	<u>\$12,039,943</u>	<u>(\$101,105)</u>

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 decrease in operating grants can be attributed to the School District receiving a decrease in grants compared to fiscal year 2022. There was just an increase in property tax collections when compared to the prior year. Charges for services saw an increase when compared to the prior year. This increase can be attributed to an increase in the number of lunches served as compared to the number of lunches served during the COVID-19 pandemic.

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. Teaching and support staff received raises in the amount of 3 percent and \$0.70 per hour, respectively for the fiscal year. Overall total governmental expenses increased due to the change in pension and OPEB expense when compared to the prior year.

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 fiscal year 2023 compared to fiscal year 2022.

Hubbard Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023*

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

	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$15,136,533	\$12,353,693	\$13,605,024	\$10,792,145
Support Services:				
Pupils and Instructional Staff	1,337,966	1,230,381	1,103,935	983,520
Board of Education, Administration Fiscal and Business	2,297,422	2,196,443	2,002,361	1,899,688
Operation and Maintenance of Plant	2,059,322	1,846,075	2,015,480	1,890,065
Pupil Transportation	1,399,326	1,349,104	1,099,997	1,058,042
Central	299,206	274,393	242,368	228,238
Extracurricular Activities	947,883	501,702	900,449	486,620
Operation of Non-Instructional Services:				
Food Service Operations	916,327	(102,574)	918,617	(325,478)
Other Non-Instructional Services	478,774	378,736	411,230	323,751
Interest	343,181	343,181	374,286	374,286
<i>Total Expenses</i>	\$25,215,940	\$20,371,134	\$22,673,747	\$17,710,877

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 2023. The community, as a whole, is by far the primary support for the Hubbard Exempted Village School District.

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. Property tax revenue increased due to an increase in assessed values. Instructional and support service expenditures increased in the current fiscal year due to the School District negotiated salary increases as well as increases in benefits. Other governmental funds had an increase in fund balance due to a decrease in instructional and support service expenditures. The expenditures related to the Coronavirus Aid, Relief and Economic Security (CARES) Act and the American Rescue Plan Act specifically dropped along with the decrease in this funding that was passed as a response to the COVID-19 pandemic.

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 2023 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 an increases in property taxes and intergovernmental revenues. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue was lower than final budget basis revenue due to property tax collections coming in lower than

Hubbard Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

anticipated. The difference between the original budget appropriations and the final amended budget appropriations of the general fund decreased due to decreases in support services such as administration and pupil transportation. The School District's actual expenditures were in line with the final budgeted appropriations in a majority of categories.

Capital Assets and Long-term Liabilities

Capital Assets Table 4 shows fiscal year 2023 balances compared to fiscal year 2022.

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

	2023	2022
Land	\$465,910	\$465,910
Land Improvements	2,355,596	2,579,623
Buildings and Improvements	33,119,942	34,848,443
Furniture and Fixtures	494,956	566,259
Vehicles	340,546	293,661
Intangible Right to Use - Software	5,672	0
Total	<u>\$36,782,622</u>	<u>\$38,753,896</u>

The decrease in capital assets can be attributed to an additional year of depreciation during the fiscal year. Additional information on the School District's capital assets can be found in Note 11 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	
	2023	2022
Classroom Facilities Bonds	\$12,607,754	\$13,432,156
Financed Purchase Obligations	475,174	740,130
Net Pension Liability	19,308,615	11,593,319
Net OPEB Liability	1,178,882	1,624,808
Financed Purchase	4,359	29,481
Compensated Absences	1,893,139	1,796,648
Subscription Payable	5,860	0
Asset Retirement Obligation	30,000	30,000
Totals	<u>\$35,503,783</u>	<u>\$29,246,542</u>

On October 8, 2013, the School District issued \$1,520,000 for a financed 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.

Hubbard Exempted Village School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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.

On April 15, 2019, the School District issued \$672,754 for a financed purchase obligation, for use in acquiring and installing LED lighting throughout the School District buildings. The obligation was issued with a lease term of seven years with a final maturity at June 30, 2026.

On September 17, 2020, the School District issued \$7,320,000 in general obligation bonds to refund a portion of the 2013 classroom facilities improvement refunding bonds. Annual payments are made for a twenty-four year period until maturity at December 1, 2034. The bonds are backed by the full faith and credit of the School District.

As of June 30, 2023, the School District's overall legal debt margin was \$10,601,013 with an unvoted debt margin of \$240,781. Neither Moody's nor Standard and Poor's maintain an active rating on the Hubbard Exempted Village School District. Please refer to Note 12 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. Events like the COVID 19 crisis, 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 is for 5 years ending in fiscal year 2027. The forecast indicates a positive balance for five years of the forecast.

The School District passed three emergency levy renewals in 2020, 2021 and 2022. The March 17, 2020 renewal was for 4.8 mills, which is equal to \$1,047,214 in tax revenue. The November 2, 2021 renewal was for 4.2 mills, which is equal to \$986,000 in tax revenue. The School District had an emergency renewal levy for 5.15 mills on the May 3, 2022 ballot pass which generates \$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 \$1,600,000 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, 2023*

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 DeJulio, Treasurer at Hubbard Exempted Village School District, 108 Orchard Avenue, Hubbard, Ohio 44425.

Hubbard Exempted Village School District

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,528,254
Accounts Receivable	5,584
Intergovernmental Receivable	270,837
Inventory Held for Resale	6,228
Materials and Supplies Inventory	2,960
Prepaid Items	17,917
Taxes Receivable	9,569,847
Net OPEB Asset	1,733,620
Nondepreciable Capital Assets	465,910
Depreciable Capital Assets, Net	<u>36,316,712</u>
<i>Total Assets</i>	<u>58,917,869</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	178,645
Pension	4,406,939
OPEB	<u>398,019</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,983,603</u>
Liabilities	
Accounts Payable	84,703
Accrued Wages	2,043,085
Intergovernmental Payable	459,378
Matured Compensated Absences Payable	106,317
Accrued Interest Payable	33,235
Vacation Benefits Payable	61,139
Unearned Revenue	212,854
Long-Term Liabilities:	
Due Within One Year	1,517,952
Due in More Than One Year	
Net Pension Liability (See Note 17)	19,308,615
Net OPEB Liability (See Note 18)	1,178,882
Other Amounts	<u>13,498,334</u>
<i>Total Liabilities</i>	<u>38,504,494</u>
Deferred Inflows of Resources	
Deferred Gain on Refunding	58,908
Property Taxes	8,593,418
Pension	1,912,255
OPEB	<u>2,893,559</u>
<i>Total Deferred Inflows of Resources</i>	<u>13,458,140</u>
Net Position	
Net Investment in Capital Assets	23,809,212
Restricted for:	
Capital Projects	19,784
Debt Service	772,087
Unclaimed Monies	18,404
OPEB Plans	330,935
Other Purposes	1,592,233
Unrestricted (Deficit)	<u>(14,603,817)</u>
<i>Total Net Position</i>	<u>\$11,938,838</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

	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	\$11,639,216	\$309,737	\$1,037,281	(\$10,292,198)
Special	3,138,620	0	1,410,003	(1,728,617)
Vocational	153,489	0	25,819	(127,670)
Student Intervention Services	205,208	0	0	(205,208)
Support Services:				
Pupils	957,955	0	34,769	(923,186)
Instructional Staff	380,011	0	72,816	(307,195)
Board of Education	22,549	0	0	(22,549)
Administration	1,649,488	0	43,113	(1,606,375)
Fiscal	588,458	0	57,866	(530,592)
Business	36,927	0	0	(36,927)
Operation and Maintenance of Plant	2,059,322	64,475	148,772	(1,846,075)
Pupil Transportation	1,399,326	0	50,222	(1,349,104)
Central	299,206	0	24,813	(274,393)
Extracurricular Activities	947,883	428,403	17,778	(501,702)
Operation of Non-Instructional Services:				
Food Service Operations	916,327	384,859	634,042	102,574
Other Non-Instructional Services	478,774	0	100,038	(378,736)
Interest	343,181	0	0	(343,181)
<i>Totals</i>	<u>\$25,215,940</u>	<u>\$1,187,474</u>	<u>\$3,657,332</u>	<u>(20,371,134)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	7,626,671
Debt Service	986,265
Classroom Facilities	91,595
Grants and Entitlements not Restricted to Specific Programs	10,945,701
Investment Earnings/Interest	66,150
Miscellaneous	553,647
<i>Total General Revenues</i>	<u>20,270,029</u>
Change in Net Position	(101,105)
<i>Net Position Beginning of Year</i>	<u>12,039,943</u>
<i>Net Position End of Year</i>	<u>\$11,938,838</u>

See accompanying notes to the basic financial statements

Hubbard Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2023*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,796,277	\$2,713,573	\$10,509,850
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	18,404	0	18,404
Receivables:			
Property Taxes	8,379,967	1,189,880	9,569,847
Accounts	5,584	0	5,584
Intergovernmental	83,526	187,311	270,837
Prepaid Items	17,917	0	17,917
Interfund Receivable	14,980	0	14,980
Inventory Held for Resale	0	6,228	6,228
Materials and Supplies Inventory	0	2,960	2,960
<i>Total Assets</i>	<u>\$16,316,655</u>	<u>\$4,099,952</u>	<u>\$20,416,607</u>
Liabilities			
Accounts Payable	\$54,900	\$29,803	\$84,703
Accrued Wages	1,877,346	165,739	2,043,085
Intergovernmental Payable	406,420	52,958	459,378
Interfund Payable	0	14,980	14,980
Matured Compensated Absences Payable	91,596	14,721	106,317
Unearned Revenue	0	212,854	212,854
<i>Total Liabilities</i>	<u>2,430,262</u>	<u>491,055</u>	<u>2,921,317</u>
Deferred Inflows of Resources			
Property Taxes	7,530,925	1,062,493	8,593,418
Unavailable Revenue	829,009	184,725	1,013,734
<i>Total Deferred Inflows of Resources</i>	<u>8,359,934</u>	<u>1,247,218</u>	<u>9,607,152</u>
Fund Balances:			
Nonspendable	36,321	2,960	39,281
Restricted	0	2,340,343	2,340,343
Committed	48,772	84,046	132,818
Assigned	258,164	0	258,164
Unassigned (Deficit)	5,183,202	(65,670)	5,117,532
<i>Total Fund Balances</i>	<u>5,526,459</u>	<u>2,361,679</u>	<u>7,888,138</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$16,316,655</u>	<u>\$4,099,952</u>	<u>\$20,416,607</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, 2023*

Total Governmental Funds Balances	\$7,888,138
 <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.	36,782,622
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	918,599
Intergovernmental	64,882
Tuition and Fees	<u>30,253</u>
Total	1,013,734
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental fund:	
Deferred Outflows - Pension	4,406,939
Deferred Inflows - Pension	(1,912,255)
Net Pension Liability	(19,308,615)
Net OPEB Asset	1,733,620
Deferred Outflows - OPEB	398,019
Deferred Inflows - OPEB	(2,893,559)
Net OPEB Liability	<u>(1,178,882)</u>
Total	(18,754,733)
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(33,235)
Deferred outflows of resources represent deferred charge on refundings, which are not reported in the governmental funds.	178,645
Deferred inflows of resources represents deferred gains on refundings, which are not reported in the governmental funds.	(58,908)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(61,139)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Classroom Facilities Bonds	(12,607,754)
Financed Purchase Obligations	(475,174)
Compensated Absences	(1,893,139)
Financed Purchase	(4,359)
Subscription Payable	(5,860)
Asset Retirement Obligation	<u>(30,000)</u>
Total	<u>(15,016,286)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$11,938,838</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, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$7,652,598	\$1,082,247	\$8,734,845
Intergovernmental	11,876,333	2,730,824	14,607,157
Investment Earnings/Interest	66,150	(1,598)	64,552
Charges for Services	8,508	384,859	393,367
Tuition and Fees	279,484	535	280,019
Extracurricular Activities	175,619	233,911	409,530
Rentals	64,475	9,830	74,305
Contributions and Donations	27,592	18,810	46,402
Miscellaneous	544,445	9,202	553,647
<i>Total Revenues</i>	<u>20,695,204</u>	<u>4,468,620</u>	<u>25,163,824</u>
Expenditures			
Current:			
Instruction:			
Regular	8,826,894	1,019,397	9,846,291
Special	2,858,589	349,144	3,207,733
Vocational	153,860	0	153,860
Student Intervention Services	205,208	0	205,208
Support Services:			
Pupils	943,086	38,455	981,541
Instructional Staff	305,066	73,183	378,249
Board of Education	22,549	0	22,549
Administration	1,598,923	32,719	1,631,642
Fiscal	592,558	20,638	613,196
Business	36,927	0	36,927
Operation and Maintenance of Plant	1,912,364	133,858	2,046,222
Pupil Transportation	1,379,217	51,039	1,430,256
Central	280,543	24,808	305,351
Extracurricular Activities	557,317	254,994	812,311
Operation of Non-Instructional Services:			
Food Service Operations	0	948,586	948,586
Other Non-Instructional Services	381,089	91,669	472,758
Capital Outlay	8,508	176,771	185,279
Debt Service:			
Principal Retirement	292,726	735,000	1,027,726
Interest	19,479	397,750	417,229
<i>Total Expenditures</i>	<u>20,374,903</u>	<u>4,348,011</u>	<u>24,722,914</u>
<i>Excess of Revenues Over Expenditures</i>	320,301	120,609	440,910
Other Financing Sources			
Inception of Subscription	8,508	0	8,508
<i>Net Change in Fund Balances</i>	328,809	120,609	449,418
<i>Fund Balances Beginning of Year</i>	<u>5,197,650</u>	<u>2,241,070</u>	<u>7,438,720</u>
<i>Fund Balances End of Year</i>	<u>\$5,526,459</u>	<u>\$2,361,679</u>	<u>\$7,888,138</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, 2023*

Net Change in Fund Balances - Total Governmental Funds \$449,418

*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	132,626	
Current Year Depreciation	(2,103,900)	
Total		(1,971,274)

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

Delinquent Property Taxes	(30,314)	
Intergovernmental	(48,928)	
Tuition and Fees	30,253	
Total		(48,989)

Repayment of bond, subscription and financed purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	735,000	
Financed Purchase Obligation	264,956	
Subscription Payable	2,648	
Financed Purchase Payable	25,122	
Total		1,027,726

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	3,497	
Amortization of Bond Premium	89,402	
Amortization of Deferred Charge on Refunding	(24,087)	
Amortization of Deferred Gain on Refunding	5,236	
Total		74,048

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	(96,491)	
Vacation Benefits Payable	(16,643)	
Total		(113,134)

Other financing sources, such as the inception of subscriptions in the governmental funds increase long-term liabilities in the statement of net position. (8,508)

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

Pension	1,685,599	
OPEB	62,577	
Total		1,748,176

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

Pension	(1,708,915)	
OPEB	450,347	
Total		<u>(1,258,568)</u>

Change in Net Position of Governmental Activities (\$101,105)

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, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$7,532,905	\$8,047,077	\$7,644,160	(\$402,917)
Intergovernmental	11,654,559	12,305,610	11,827,369	(478,241)
Interest	1,880	1,134	69,630	68,496
Charges for Services	7,518	4,535	8,508	3,973
Tuition and Fees	245,647	148,178	286,765	138,587
Extracurricular Activities	155,977	94,088	170,904	76,816
Rentals	46,988	28,344	64,475	36,131
Contributions and Donations	12,687	7,653	16,668	9,015
Miscellaneous	470,346	304,849	521,408	216,559
<i>Total Revenues</i>	<u>20,128,507</u>	<u>20,941,468</u>	<u>20,609,887</u>	<u>(331,581)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,966,619	8,998,380	8,740,500	257,880
Special	2,852,877	2,861,838	2,856,237	5,601
Vocational	126,755	148,898	148,898	0
Student Intervention Services	143,850	213,600	213,600	0
Support Services:				
Pupils	948,263	948,205	948,205	0
Instructional Staff	317,995	311,150	311,150	0
Board of Education	22,273	22,624	22,624	0
Administration	1,753,702	1,649,395	1,649,395	0
Fiscal	568,737	610,013	610,013	0
Business	57,500	36,927	36,927	0
Operation and Maintenance of Plant	2,073,860	2,004,646	2,004,646	0
Pupil Transportation	1,542,804	1,391,538	1,391,538	0
Central	357,722	311,836	311,836	0
Extracurricular Activities	447,484	542,472	542,472	0
Operation of Non-Instructional Services:				
Other Non-Instructional Services	350,738	386,714	386,714	0
Capital Outlay	500	0	0	0
Debt Service:				
Principal Retirement	264,956	264,956	264,956	0
Interest	17,628	17,628	17,628	0
<i>Total Expenditures</i>	<u>20,814,263</u>	<u>20,720,820</u>	<u>20,457,339</u>	<u>263,481</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(685,756)</u>	<u>220,648</u>	<u>152,548</u>	<u>(68,100)</u>
Other Financing Sources (Uses)				
Advances In	10,000	10,000	75,362	65,362
Advances Out	0	0	(14,980)	(14,980)
<i>Total Other Financing Sources (Uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>60,382</u>	<u>50,382</u>
<i>Net Change in Fund Balance</i>	<u>(675,756)</u>	<u>230,648</u>	<u>212,930</u>	<u>(17,718)</u>
<i>Fund Balance Beginning of Year</i>	6,909,479	6,909,479	6,909,479	0
Prior Year Encumbrances Appropriated	342,019	342,019	342,019	0
<i>Fund Balance End of Year</i>	<u>\$6,575,742</u>	<u>\$7,482,146</u>	<u>\$7,464,428</u>	<u>(\$17,718)</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, 2023*

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 250th largest by enrollment among the 610 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 88 classified employees, 127 certified employees and 14 administrators who provide services to 1,805 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.

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 14, 15 and 16 to the basic financial statements.

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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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. 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.

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 governmental funds.

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 is the School District's major governmental fund:

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.

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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 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 outflows/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 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, investment earnings/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 represent a consumption of net assets that applies to a future period and will not be recognized as an outflow

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding and for pension and OPEB plans. 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 and OPEB plans are explained in Notes 17 and 18.

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 assets 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, pension, OPEB plans, unavailable revenue and gain on refunding. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 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, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Pension of Governmental Activities found on page 17. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 17 and 18)

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

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

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

Budgetary Data

All 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

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For the Fiscal Year Ended June 30, 2023*

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.

During fiscal year 2023, investments were limited to money market mutual fund, negotiable certificate of deposits, common and convertible preferred stock and federal home loan bank bonds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. The fair value of the money market mutual fund is determined by the fund's share price at June 30, 2023. Gains (or losses) to fair value are booked annually as "Investment Earnings". The fair value of investments related to scholarship funds decreased during 2023 resulting in negative investment earnings of \$2,582.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment Earnings/Interest revenue credited to the general fund during fiscal year 2023 amounted to \$66,150 which includes \$18,236 assigned from other School District funds.

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 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

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.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 (except for intangible right-to-use subscription assets which are discussed below) 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 five thousand dollars with the exception of land as land was listed regardless of cost. 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 is 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:

Description	Governmental Activities Estimated Lives
Land Improvements	10 - 45 years
Buildings and Improvements	10 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 20 years
Intangible Right to Use - Software	3 years

The School District is reporting intangible right to use assets related to subscription assets. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

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.

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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
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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.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

Subscription Payable

The School District is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, the School District initially measures the subscription at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of lease payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

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, are reported as obligations of the funds. However, claims and judgments, compensated absences 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, financed purchases and subscription payable are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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:

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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 or a School District official delegated that authority by resolution or 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 for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2024 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. Restricted net position for OPEB plans represents the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. 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, 2023

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The School District recognizes unearned revenue for intergovernmental revenue from grants received before eligibility requirements are met.

Deferred Charge/Gain 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 straight-line method and is presented as deferred outflows and inflows of resources on the statement of net position. The straight-line method is not materially different from the effective interest method.

Bond Premiums

On the government-wide financial statements, bond premiums 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 receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

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 as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Nonspendable</i>			
Inventory	\$0	\$2,960	\$2,960
Prepaid Items	17,917	0	17,917
Unclaimed Funds	18,404	0	18,404
<i>Total Nonspendable</i>	<u>\$36,321</u>	<u>\$2,960</u>	<u>\$39,281</u>

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Fund Balances	General	Other Governmental Funds	Total
<i>Restricted for</i>			
Food Service Operations	\$0	\$338,444	\$338,444
Debt Service Payments	0	695,715	695,715
Capital Improvements	0	19,784	19,784
Athletics	0	30,925	30,925
Student Activities	0	140,382	140,382
Classroom Facilities Maintenance	0	1,080,917	1,080,917
Technology Improvements	0	1,662	1,662
Student Instruction	0	32,074	32,074
Remedial Reading	0	440	440
<i>Total Restricted</i>	0	2,340,343	2,340,343
<i>Committed to</i>			
Purchases on Order - Capital Outlay	48,772	0	48,772
Underground Storage Unit	0	11,000	11,000
College Scholarships	0	73,046	73,046
<i>Total Committed</i>	48,772	84,046	132,818
<i>Assigned to</i>			
Purchases on Order			
Instruction	7,517	0	7,517
Support Services	145,384	0	145,384
Community Services	5,569	0	5,569
Public School Support	51,511	0	51,511
Fiscal Year 2024 Operations	48,183	0	48,183
<i>Total Assigned</i>	258,164	0	258,164
Unassigned (Deficit)	5,183,202	(65,670)	5,117,532
Total Fund Balances	\$5,526,459	\$2,361,679	\$7,888,138

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).

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.
6. Investments are reported at cost (budget) rather than fair value (GAAP).

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:

	<u>General</u>
GAAP Basis	\$328,809
Net Adjustment for Revenue Accruals	(133,304)
Advances In	75,362
Beginning Fair Value Adjustment for Investments	(19,429)
Ending Fair Value Adjustment for Investments	22,909
Net Adjustment for Expenditure Accruals	277,576
Perspective Difference:	
Public School Support	(4,450)
Advances Out	(14,980)
Encumbrances	<u>(319,563)</u>
Budget Basis	<u><u>\$212,930</u></u>

Note 5 – Accountability

Fund balances at June 30, 2023, included the following fund deficits:

Special Revenue Funds	
ESSER	\$10,850
IDEA-B	22,514
Title I	25,118
Title IV-A	7,180
IDEA Early Childhood	8

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Hubbard Exempted Village School District

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For the Fiscal Year Ended June 30, 2023*

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.

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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bond and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2023, \$3,186,017 of the School District's total bank balance of \$6,372,034 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2023, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Mutual Fund	\$54,826	1 Day	NA	2.66 %
Negotiable Certificate of Deposits	1,701,995	Less than two years	NA	82.67
Common and Preferred Stock	7,939	NA	NA	0.39
Total Fair Value - Level One Inputs	1,764,760			
Fair Value - Level Two Inputs				
Federal Home Loan Bank Bonds	294,096	Less than one year	Aaa	14.28
Total Investments	<u>\$2,058,856</u>			

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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, 2023. The money market account, negotiable certificates of deposits and common stock are measured at fair value and is valued using quoted market prices (Level 1 inputs). The federal home loan bank bonds are measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 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. To date, no investments have been purchased with a life greater than five years except for the common and preferred stock that was donated to the School District.

Credit Risk. The Moody's ratings of the School Districts investments are listed in the table above. The money market mutual fund, negotiable certificate of deposits and preferred stock are not rated. 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 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, 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 2023 represent the collection of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, 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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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, 2023, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023, 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, 2023, was \$50,286 in the general fund, \$6,900 in the bond retirement fund and \$644 in the classroom facilities fund. The amount available as an advance at June 30, 2022, was \$27,899 in the general fund, \$3,847 in the bond retirement fund and \$356 in the classroom facilities fund.

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$229,292,910	95.94%	\$230,390,630	95.68%
Public Utility Personal	9,714,040	4.06	10,390,460	4.32
Total	\$239,006,950	100.00%	\$240,781,090	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$60.85		\$60.60	

Note 8 – Tax Abatements

School District property taxes were reduced as follows under enterprise zone agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2023 Taxes Abated
<i>Enterprise Zone Agreement:</i> The City of Hubbard	\$26,962

Note 9 – Receivables

Receivables at June 30, 2023, 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.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Medicaid Reimbursement	\$52,945
Title I	49,992
IDEA Part B	46,919
ESSER	43,581
School Foundation FY 2023 Adjustment	30,253
Title IV-A	21,322
Improving Teacher Quality	17,567
IDEA Early Childhood	7,792
Bureau of Worker's Compensation	328
One Net Connectivity	138
Total	\$270,837

Note 10 – Interfund Balances

Interfund balances at June 30, 2023, were as follows:

Payable	Receivable General Fund
<i>Other Governmental Funds:</i>	
Title IV-A	\$7,180
Preschool Restoration	7,800
Total	\$14,980

These loans were made to support programs in the special revenue funds pending the receipt of grant money that will be used to repay the loan. These loans are expected to be repaid in one year.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
<i>Nondepreciable Capital Assets</i>				
Land	\$465,910	\$0	\$0	\$465,910
<i>Depreciable Capital Assets</i>				
Land Improvements	6,165,883	8,000	0	6,173,883
Buildings and Improvements	53,980,339	0	0	53,980,339
Furniture and Fixtures	1,966,740	19,600	0	1,986,340
Vehicles	1,631,699	96,518	0	1,728,217
Intangible Right to Use - Software**	0	8,508	0	8,508
<i>Total Depreciable Capital Assets</i>	\$63,744,661	\$132,626	\$0	\$63,877,287

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
<i>Depreciable Capital Assets (continued)</i>				
<i>Less: Accumulated Depreciation/Amortization</i>				
Land Improvements	(\$3,586,260)	(\$232,027)	\$0	(\$3,818,287)
Buildings and Improvements	(19,131,896)	(1,728,501)	0	(20,860,397)
Furniture and Fixtures	(1,400,481)	(90,903)	0	(1,491,384)
Vehicles	(1,338,038)	(49,633)	0	(1,387,671)
Intangible Right to Use - Software**	0	(2,836)	0	(2,836)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(25,456,675)</u>	<u>(2,103,900) *</u>	<u>0</u>	<u>(27,560,575)</u>
<i>Depreciable Capital Assets, Net</i>	<u>38,287,986</u>	<u>(1,971,274)</u>	<u>0</u>	<u>36,316,712</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$38,753,896</u>	<u>(\$1,971,274)</u>	<u>\$0</u>	<u>\$36,782,622</u>

* Depreciation/Amortization expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,746,944
Support Services	
Instructional Staff	696
Administration	22,430
Operation and Maintenance of Plant	83,443
Pupil Transportation	45,509
Central	2,836
Extracurricular Activities	138,667
Operation of Non-Instructional Services:	
Food Service Operations	20,413
Other Non-Instructional Services	42,962
Total Depreciation/Amortization Expense	<u>\$2,103,900</u>

** Of the current year depreciation/amortization total of \$2,103,900, \$2,836 is presented as central support services expense on the Statement of Activities related to the School District's intangible asset of IT software, which is included as an Intangible Right to Use.

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Principal Outstanding June 30, 2022	Additions	Deductions	Principal Outstanding June 30, 2023	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2014 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 4.00 %	\$5,825,000	\$0	\$0	\$5,825,000	\$0
Current Interest Term Bonds 2.25 %	40,000	0	(20,000)	20,000	20,000
Premium on Bonds	357,938	0	(42,527)	315,411	0
Total 2014 Classroom Facilities Improvement Bonds	<u>\$6,222,938</u>	<u>\$0</u>	<u>(\$62,527)</u>	<u>\$6,160,411</u>	<u>\$20,000</u>

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Governmental Activities	Principal Outstanding June 30, 2022	Additions	Deductions	Principal Outstanding June 30, 2023	Amount Due in One Year
General Obligation Bonds (continued)					
2020 Classroom Facilities Improvement Refunding Bonds					
Current Interest Serial Bonds 1.00 - 4.00 %	\$5,405,000	\$0	(\$715,000)	\$4,690,000	\$745,000
Current Interest Term Bonds 2.25 %	1,230,000	0	0	1,230,000	0
Premium on Bonds	574,218	0	(46,875)	527,343	0
Total 2020 Classroom Facilities Improvement Bonds	7,209,218	0	(761,875)	6,447,343	745,000
<i>Total General Obligation Bonds</i>	13,432,156	0	(824,402)	12,607,754	765,000
Financed Purchase Obligations from Direct Placements:					
2014 Athletics Facilities Financed Purchase Obligation	345,000	0	(170,000)	175,000	175,000
2019 LED Light Financed Purchase Obligation	395,130	0	(94,956)	300,174	97,463
<i>Total Financed Purchase Obligations from from Direct Placements</i>	740,130	0	(264,956)	475,174	272,463
Other Long-term Obligations					
Net Pension Liability:					
STRS	8,529,772	6,353,824	0	14,883,596	0
SERS	3,063,547	1,361,472	0	4,425,019	0
<i>Total Net Pension Liability</i>	11,593,319	7,715,296	0	19,308,615	0
Net OPEB Liability:					
SERS	1,624,808	0	(445,926)	1,178,882	0
Subscription Payable	0	8,508	(2,648)	5,860	2,832
Financed Purchase Payable from Direct Borrowing	29,481	0	(25,122)	4,359	4,359
Compensated Absences	1,796,648	545,671	(449,180)	1,893,139	473,298
Asset Retirement Obligation	30,000	0	0	30,000	0
<i>Total Other Long-term Obligations</i>	15,074,256	8,269,475	(922,876)	22,420,855	480,489
<i>Total Governmental Activities Long-Term Liabilities</i>	\$29,246,542	\$8,269,475	(\$2,012,234)	\$35,503,783	\$1,517,952

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. At June 30, 2023 the full amount of the capital appreciation bonds had been retired by the School District through annual debt service repayments. The current interest serial and term bonds remained outstanding at June 30, 2023. The bonds were issued for a sixteen period with a final maturity at December 1, 2030.

The term bond maturing on December 1, 2023, is 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, 2023 the final principal amount of \$20,000 is due.

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.

On September 17, 2020, the School District issued \$7,320,000 in general obligation bonds to refund a portion of 2013 general obligation classroom facilities improvement refunding bonds. The general obligation bonds

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
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included serial and term bonds in the amounts \$6,510,000 and \$1,230,000, respectively. The bonds were issued for a twenty-four period with a final maturity at December 1, 2034.

The term bond maturing on December 1, 2031, is 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
2029	\$25,000
2030	25,000
Total Mandatory Sinking Fund Payments	50,000
Amount Due at Stated Maturity	1,180,000
Total	\$1,230,000
<i>Stated Maturity</i>	<i>12/1/2031</i>

The refunding bonds were sold at a premium of \$656,248. Net proceeds of \$7,820,044 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, \$8,716,192 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.

On October 8, 2013, the School District issued \$1,520,000 lease purchase obligations (LPOs) through direct placement 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. Principal and interest due in fiscal year 2024 is \$175,000 and \$2,844, respectively.

On April 30, 2019, the School District issued \$672,754 lease purchase obligations (LPOs) for the acquisition and installation of energy efficiency equipment and improvements. 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 First 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 seven successive one year term through June 30, 2026, 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 2.64 percent. The School District has the option to purchase the equipment and improvements on any Lease Payment Date on and after December 1, 2023, by paying the amount necessary to defease the Indenture.

Annual base rent requirements to retire the lease purchase obligations outstanding at June 30, 2023, are as follows:

Hubbard Exempted Village School District

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Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$272,463	\$9,482	\$281,945
2025	100,035	4,031	104,066
2026	102,676	1,355	104,031
Total	<u>\$475,174</u>	<u>\$14,868</u>	<u>\$490,042</u>

During fiscal year 2018, the School District entered in financed purchase agreement from direct borrowing for copiers in the amount of \$111,148 to be paid from the general fund. Principal and interest due in fiscal year 2024 is \$4,359 and \$38, respectively.

The School District has an outstanding contract to use a SBITA vendor’s IT Software, including phone system software. The future subscription payments were discounted based on the interest rate implicit in the subscription or using the School District’s incremental borrowing rate. This discount is being amortized using the interest method over the life of the subscription. The subscription will be paid from the general fund. A summary of the principal and interest amounts for the remaining subscription is as follows:

Subscriptions		
Year	Principal	Interest
2024	\$2,832	\$407
2025	3,028	211
	<u>\$5,860</u>	<u>\$618</u>

The general obligation classroom facilities bonds will be paid from the bond retirement debt service fund. The asset retirement obligation will be paid from the general fund and the underground storage tank special revenue fund. The athletics facilities and the LED light financed purchase obligations will be paid from the general fund. The compensated absences will be paid from the general fund and the food service, ESSER, title VI-B and title I special revenue funds. The financed purchase will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the following funds: the general fund, the food service, ESSER, title VI-B, title I and improving teacher quality special revenue funds. For additional information related to the net pension liability see Note 17 and 18.

The overall debt margin of the School District as of June 30, 2023, was \$10,601,013 with an unvoted debt margin of \$240,781. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2023, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds - Classroom Facilities Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2024	\$745,000	\$338,650	\$20,000	\$36,750
2025	660,000	314,400	0	36,525
2026	790,000	289,475	0	36,525
2027	820,000	265,325	0	36,525
2028	850,000	238,200	0	36,525
2029-2033	4,040,000	725,825	1,230,000	126,525
2034-2035	2,610,000	79,500	0	0
Total	<u>\$10,515,000</u>	<u>\$2,251,375</u>	<u>\$1,250,000</u>	<u>\$309,375</u>

Hubbard Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 13 – 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 2023, the School District contracted with Liberty Mutual for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$5,000 Deductible)	\$86,806,803
Fleet Insurance	6,000,000
Aggregate	7,000,000
General Liability - per occurrence	6,000,000
Aggregate	7,000,000

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 2023, the School District participated in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP) through Sheakley Unicomp, an insurance purchasing pool (Note 16). The intent of the program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping 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.

Note 14 – 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 \$59,280 to NEOMIN during fiscal year 2023.

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 represented on the Governing Board during fiscal year 2023. 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.

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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 Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Note 15 – 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 Hegedus, Director, at 436 West Liberty Street, Hubbard, Ohio 44425.

Note 16 – Insurance Purchasing Pool

The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Program, an insurance purchasing pool through Sheakley Unicomp. 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.

Note 17 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Hubbard Exempted Village School District

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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/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 18 for the required OPEB disclosures.

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, 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.

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 years 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.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$466,102 for fiscal year 2023. Of this amount \$57,697 is reported as an intergovernmental payable.

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 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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14

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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, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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. 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,219,497 for fiscal year 2023. Of this amount \$171,977 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, 2022, 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:

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For the Fiscal Year Ended June 30, 2023*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.08181180%	0.06695237%	
Prior Measurement Date	<u>0.08302950%</u>	<u>0.06671234%</u>	
Change in Proportionate Share	<u>-0.00121770%</u>	<u>0.00024003%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,425,019	\$14,883,596	\$19,308,615
Pension Expense	\$173,864	\$1,535,051	\$1,708,915

At June 30, 2023, 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	\$179,217	\$190,529	\$369,746
Changes of assumptions	43,662	1,781,120	1,824,782
Net difference between projected and actual earnings on pension plan investments	0	517,917	517,917
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	8,895	0	8,895
School District contributions subsequent to the measurement date	<u>466,102</u>	<u>1,219,497</u>	<u>1,685,599</u>
Total Deferred Outflows of Resources	<u>\$697,876</u>	<u>\$3,709,063</u>	<u>\$4,406,939</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$29,049	\$56,935	\$85,984
Changes of assumptions	0	1,340,671	1,340,671
Net difference between projected and actual earnings on pension plan investments	154,413	0	154,413
Changes in proportionate share and Difference between School District contributions and proportionate share of contributions	<u>45,085</u>	<u>286,102</u>	<u>331,187</u>
Total Deferred Inflows of Resources	<u>\$228,547</u>	<u>\$1,683,708</u>	<u>\$1,912,255</u>

\$1,685,599 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 fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2024	\$4,307	(\$117,372)	(\$113,065)
2025	(37,107)	(155,579)	(192,686)
2026	(220,583)	(430,629)	(651,212)
2027	256,610	1,509,438	1,766,048
Total	\$3,227	\$805,858	\$809,085

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, 2022, are presented below:

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years

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and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 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 earnings were calculated using the long-term assumed investment rate of return (7.00 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.

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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$6,513,416	\$4,425,019	\$2,665,572

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Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS’ investment consultant develops an estimate range 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 *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00%	

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* Target allocation percentage is effective July 1, 2022.
Target weights were phased in over a 3 month period
concluding on October 1, 2022
** 10 year annualized geometric nominal returns, which include
the real rate of return and inflation of 2.25 percent, and is net
of investment expenses. Over a 30-year period, STRS'
investment consultant indicates that the above target allocations
should generate a return above the actuarial rate of return,
without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$22,483,695	\$14,883,596	\$8,456,265

Note 18 – Defined Benefit OPEB Plans

See note 17 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its

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non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive 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. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. 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 2023, the School District's surcharge obligation was \$62,577.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$62,577 for fiscal year 2023. Of this amount \$62,577 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.08396540%	0.06695237%	
Prior Measurement Date	<u>0.08585130%</u>	<u>0.06671234%</u>	
Change in Proportionate Share	<u>-0.00188590%</u>	<u>0.00024003%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,178,882	\$0	\$1,178,882
Net OPEB (Asset)	\$0	(\$1,733,620)	(\$1,733,620)
OPEB Expense	(\$104,479)	(\$345,868)	(\$450,347)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$9,910	\$25,131	\$35,041
Changes of assumptions	187,516	73,846	261,362
Net difference between projected and actual earnings on OPEB plan investments	6,127	30,178	36,305
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	2,734	0	2,734
School District contributions subsequent to the measurement date	<u>62,577</u>	<u>0</u>	<u>62,577</u>
Total Deferred Outflows of Resources	<u>\$268,864</u>	<u>\$129,155</u>	<u>\$398,019</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$754,100	\$260,356	\$1,014,456
Changes of assumptions	483,940	1,229,303	1,713,243
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>123,679</u>	<u>42,181</u>	<u>165,860</u>
Total Deferred Inflows of Resources	<u>\$1,361,719</u>	<u>\$1,531,840</u>	<u>\$2,893,559</u>

\$62,577 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$261,048)	(\$431,079)	(\$692,127)
2025	(260,215)	(399,605)	(659,820)
2026	(230,107)	(187,509)	(417,616)
2027	(148,953)	(77,881)	(226,834)
2028	(98,572)	(101,358)	(199,930)
Thereafter	<u>(156,537)</u>	<u>(205,253)</u>	<u>(361,790)</u>
Total	<u>(\$1,155,432)</u>	<u>(\$1,402,685)</u>	<u>(\$2,558,117)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

	<u>June 30, 2022</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent

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Notes to the Basic Financial Statements
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June 30, 2022

Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

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Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
School District's proportionate share of the net OPEB liability	\$1,464,190	\$1,178,882	\$948,562

	1% Decrease <u>(6.00% decreasing to 3.40%)</u>	Current Trend Rate <u>(7.00% decreasing to 4.40%)</u>	1% Increase <u>(8.00% decreasing to 5.40%)</u>
School District's proportionate share of the net OPEB liability	\$909,130	\$1,178,882	\$1,531,224

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
		<u>(7.00%)</u>	
School District's proportionate share of the net OPEB (asset)	(\$1,602,686)	(\$1,733,620)	(\$1,845,776)

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Trend Rate</u>	
School District's proportionate share of the net OPEB (asset)	(\$1,798,185)	(\$1,733,620)	(\$1,652,121)

Note 19 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

laws. Classified employees earn ten to twenty five 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 an unlimited amount 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 Cooperative. The traditional plan has a \$300 deductible for single and a \$600 deductible for family. The HSA (Health Savings Account) Plan has a \$2,500 deductible for single and \$5,000 deductible for family. All Employees participating in the HSA Plan receive \$1,250 deposited into their HSA annually. The premiums are set up on a four - tier system.

<u>Premiums By Plan Type</u>	<u>Employee Only</u>	<u>Employee and Spouse</u>	<u>Employee and Child(ren)</u>	<u>Family</u>
Medical Plan - Traditional	\$1,015.06	\$1,982.20	\$1,806.36	\$2,773.47
Medical Plan - HSA	926.89	1,796.19	1,638.12	2,507.36
Dental Plan	30.39	52.74	65.28	96.81
Vision Plan	6.80	13.29	13.92	20.09

Employees working less than 30 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 11 percent for employee only or employee plus children coverage, and 16 percent for Employee plus spouse or family coverage for traditional health and dental and receive vision at 100 percent employer paid. The percentages for the HSA health and dental plan percentages paid by employees is 7 percent for employee only or employee plus children coverage, and 12 percent for employee plus spouse or family coverage.

Note 20 – 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, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2023 have been finalized which did not result in a material receivable to or liability of the School District.

Litigation

As of June 30, 2023, the School District was not party to any legal proceedings.

Note 21 – 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. Disclosure of this information is required by State statute.

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2022	\$0
Current Year Set-aside Requirement	406,976
Current Year Offset	<u>(735,000)</u>
Total	<u><u>(\$328,024)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-aside Reserve Balance as of June 30, 2023	<u><u>\$0</u></u>

Although the School District had offsets during the fiscal year that reduced the capital improvement set-aside amounts below zero, this amount will not be used to reduce the set-aside requirements of future years.

Note 22 – 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 \$319,563 in the general fund and \$266,576 in other governmental funds.

Hubbard Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Note 23 – Changes in Accounting Principles

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 91, Conduit Debt Obligations, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The School District did have a IT Software contract that met the GASB 96 definition of a SBITA. These changes were incorporated in the School District's financial statements.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 25 - Asset Retirement

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a School District classified as an "owner" or "operator," to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$30,000 associated with the School District's underground storage tanks was estimated by the School District. The UST is fully depreciated. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

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

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.08181180%	0.08302950%	0.08253960%	0.08581130%
School District's Proportionate Share of the Net Pension Liability	\$4,425,019	\$3,063,547	\$5,459,344	\$5,134,241
School District's Covered Payroll	\$3,066,414	\$2,932,171	\$2,861,893	\$2,877,756
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.31%	104.48%	190.76%	178.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.08797160%	0.08644790%	0.0895207%	0.0894857%	0.0909990%	0.0909990%
\$5,038,296	\$5,165,073	\$6,552,089	\$5,106,141	\$4,605,407	\$5,411,418
\$2,881,126	\$2,736,864	\$2,791,400	\$2,716,300	\$2,644,260	\$2,616,290
174.87%	188.72%	234.72%	187.98%	174.17%	206.84%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

	2023	2022	2021
School District's Proportion of the Net OPEB Liability	0.08396540%	0.85851300%	0.08604370%
School District's Proportionate Share of the Net OPEB Liability	\$1,178,882	\$1,624,808	\$1,870,012
School District's Covered Payroll	\$3,066,414	\$2,932,171	\$2,861,893
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.44%	55.41%	65.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.08810740%	0.08920680%	0.08786830%	0.09082410%
\$2,215,716	\$2,474,838	\$2,358,154	\$2,588,823
\$2,877,756	\$2,881,126	\$2,736,864	\$2,791,400
76.99%	85.90%	86.16%	92.74%
15.57%	13.57%	12.46%	11.49%

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

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.06695237%	0.06671234%	0.06690425%	0.06872257%
School District's Proportionate Share of the Net Pension Liability	\$14,883,596	\$8,529,772	\$16,188,449	\$15,197,584
School District's Covered Payroll	\$8,722,079	\$8,266,364	\$8,055,407	\$8,080,986
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.64%	103.19%	200.96%	188.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.06982087%	0.07080000%	0.07412762%	0.07579336%	0.07523651%	0.07523651%
\$15,352,042	\$16,818,693	\$24,812,749	\$20,947,068	\$18,300,123	\$21,798,987
\$7,948,214	\$7,788,936	\$7,772,507	\$7,937,271	\$7,634,450	\$8,440,523
193.15%	215.93%	319.24%	263.91%	239.70%	258.27%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2023	2022	2021
School District's Proportion of the Net OPEB Liability	0.06695237%	0.06671234%	0.06690425%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,733,620)	(\$1,406,574)	(\$1,175,842)
School District's Covered Payroll	\$8,722,079	\$8,266,364	\$8,055,407
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-19.88%	-17.02%	-14.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.70%	174.70%	182.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.06872257%	0.06982087%	0.07080000%	0.07412762%
(\$1,138,212)	(\$1,121,949)	\$2,762,354	\$3,964,364
\$8,080,986	\$7,948,214	\$7,788,936	\$7,772,507
-14.09%	-14.12%	35.47%	51.00%
174.70%	176.00%	47.10%	37.30%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
Contractually Required Contribution	\$466,102	\$429,298	\$410,504	\$400,665
Contributions in Relation to the Contractually Required Contribution	<u>(466,102)</u>	<u>(429,298)</u>	<u>(410,504)</u>	<u>(400,665)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,329,300	\$3,066,414	\$2,932,171	\$2,861,893
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	62,577	56,430	56,247	57,133
Contributions in Relation to the Contractually Required Contribution	<u>(62,577)</u>	<u>(56,430)</u>	<u>(56,247)</u>	<u>(57,133)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.88%</u>	<u>1.84%</u>	<u>1.92%</u>	<u>2.00%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.88%</u>	<u>15.84%</u>	<u>15.92%</u>	<u>16.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$388,497	\$388,952	\$383,161	\$390,796	\$358,008	\$366,494
(388,497)	(388,952)	(259,811)	(260,836)	(358,008)	(366,494)
\$0	\$0	\$123,350	\$129,960	\$0	\$0
\$2,877,756	\$2,881,126	\$2,736,864	\$2,791,400	\$2,716,300	\$2,644,260
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
68,953	62,419	48,555	46,407	69,943	50,258
(68,953)	(62,419)	(48,555)	(46,407)	(69,943)	(50,258)
\$0	\$0	\$0	\$0	\$0	\$0
2.40%	2.17%	1.77%	1.66%	2.57%	1.90%
15.90%	15.67%	15.77%	15.66%	15.75%	15.76%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
Contractually Required Contribution	\$1,219,497	\$1,221,091	\$1,157,291	\$1,127,757
Contributions in Relation to the Contractually Required Contribution	<u>(1,219,497)</u>	<u>(1,221,091)</u>	<u>(1,157,291)</u>	<u>(1,127,757)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$8,710,693	\$8,722,079	\$8,266,364	\$8,055,407
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$1,131,338	\$1,112,750	\$1,090,451	\$1,088,151	\$1,111,218	\$992,479
(1,131,338)	(1,112,750)	(1,090,451)	(1,088,151)	(1,111,218)	(992,479)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,080,986	\$7,948,214	\$7,788,936	\$7,772,507	\$7,937,271	\$7,634,450
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$0	\$76,344
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(76,344)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Hubbard Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

Hubbard Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 no set back from age 90 and above.

Changes in Benefit Term – STRS Pension

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient’s retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

Hubbard Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

	<u>2022</u>	<u>2021 and Prior</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,
including price inflation

Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

Hubbard Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

Hubbard Exempted Village School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2023

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**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	69,201
School Breakfast Program (Prior year)	10-553	17,861
National School Lunch Program	10.555	443,666
COVID-19 National School Lunch Program	10.555	52,364
National School Lunch Program (Prior year)	10.555	135,695
Non-Cash Assistance (Food Distribution)	10.555	39,895
Total Child Nutrition Cluster		<u>758,682</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	<u>628</u>
Total U.S. Department of Agriculture		<u>759,310</u>
U.S. DEPARTMENT OF TREASURY		
<i>Passed Through Ohio Facilities Construction Commission</i>		
COVID-19 Coronavirus State and Local Fiscal Recovery Fund:		
COVID-19 Coronavirus State and Local Fiscal Recovery Fund (Safety Grant)	21.027	<u>82,544</u>
Total U.S. Department of Treasury		<u>82,544</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Title I Grants to Local Educational Agencies	84.010	386,717
Special Education Cluster:		
Special Education Grants to States (IDEA, Part B)	84.027	380,560
Special Education Preschool Grants (IDEA, Preschool)	84.173	15,022
COVID-19 American Rescue Plan Act - Special Education Grants to States (IDEA, Part B)	84.027	25,720
COVID-19 American Rescue Plan Act - Special Education Grants to States (IDEA, Preschool)	84.173	975
Total Special Education Cluster		<u>422,277</u>
Supporting Effective Instruction	84.367	33,002
Student Support and Academic Enrichment Program	84.424	30,664
COVID-19 Education Stabilization Fund	84.425D	101,850
COVID-19 American Rescue Plan - Elementary and Secondary Schools Emergency Relief Fund	84.425U	862,460
COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief Fund – Homeless Children and Youth	84.425W	400
Total COVID-19 ESSER		<u>964,710</u>
<i>Passed Through Trumbull County Educational Service Center</i>		
Title III Language Instruction for English Learners	84.031	2,158
Total U.S. Department of Education		<u>1,839,528</u>
Total Expenditures of Federal Awards		<u>\$2,681,382</u>

The accompanying notes are an integral part of this schedule.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hubbard Exempted Village School District (the District's) under programs of the federal government for the year ended June 30, 2023. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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. The District's Child Nutrition Cluster carried over \$153,556 from fiscal year 2022. This carryover was spent in fiscal year 2023. As a result, there is no carryover into fiscal year 2024.

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

Program Title	AL Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	\$31,654
Special Education Grants to States (IDEA, Part B)	84.027	\$25,501
Supporting Effective Instruction	84.367	\$16,630
Student Support and Academic Enrichment Program	84.424	\$6,400
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	\$1,587,941
American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	\$3,666



**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 Avenue
Hubbard, Ohio 44425

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2024, wherein we noted a disclosure regarding the potential financial impact of COVID-19 and the ensuing emergency measures.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2024

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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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 Avenue
Hubbard, Ohio 44425

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited Hubbard Exempted Village School District's, Trumbull County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Hubbard Exempted Village School District's major federal programs for the year ended June 30, 2023. Hubbard Exempted Village School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Hubbard Exempted Village School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2024

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**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Elementary and Secondary School Emergency Relief (ESSER II) Fund American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth (ARP ESSER) Child Nutrition Cluster	AL # 84.425D AL # 84.425U AL # 84.425W AL #s 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/26/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov