



**CITY OF HUBBARD  
TRUMBULL COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF HUBBARD  
TRUMBULL COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Hubbard  
Trumbull County  
P.O. Box 307  
220 West Liberty Street  
Hubbard, Ohio 44425

To City Council:

We have audited the accompanying financial statements of the City of Hubbard, Trumbull County, (the City) as of and for the year ended December 31, 1998. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph 4, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Insurance claims reported in the Employees Health Fund (an internal service fund) are processed by a service organization that is independent of the City. We did not examine the design or proper operation of the service organizations' internal control structure and did not perform procedures to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 100% of disbursements for the internal service fund type. As such, we are unable to express and do not express an opinion on the City's internal service fund type.

In our opinion, except as we are unable to express, and do not express an opinion on the financial statements of the internal service fund type, the financial statements referred to above present fairly, in all material respects, its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, city council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 8, 2000

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS-  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
<b>Cash receipts:</b>						
Property tax and other local taxes	\$183,343	\$59,056			\$1,087,372	\$1,329,771
Intergovernmental receipts	305,625	286,448				592,073
Charges for services	525					525
Fines, licenses, and permits	82,163	567				82,730
Earnings on investments	241,933	5,246				247,179
Miscellaneous	94,917	60,570				155,487
<b>Total cash receipts</b>	<u>908,506</u>	<u>411,887</u>			<u>1,087,372</u>	<u>2,407,765</u>
<b>Cash disbursements:</b>						
Current:						
Security of persons and property	1,037,490	89,432			25,609	1,152,531
Public health services	10,397	14,631				25,028
Leisure time activities	4,547	21,515				26,062
Community environment	514					514
Transportation		460,410				460,410
General government	291,192				58,069	349,261
Debt service:						
Principal payments		8,093	\$19,008			27,101
Interest payments		2,011	190			2,201
Capital outlay		113,769		\$295,699	3,177	412,645
<b>Total disbursements</b>	<u>1,344,140</u>	<u>709,861</u>	<u>19,198</u>	<u>295,699</u>	<u>86,855</u>	<u>2,455,753</u>
<b>Total receipts over/(under) disbursements</b>	<u>(435,634)</u>	<u>(297,974)</u>	<u>(19,198)</u>	<u>(295,699)</u>	<u>1,000,517</u>	<u>(47,988)</u>
<b>Other financing receipts/(disbursements):</b>						
Sale of bonds or notes		53,776		240,287		294,063
Transfers-in	640,699	311,708		109,285		1,061,692
Other Sources		3,882	15,981	113		19,976
Transfers-out	(76,000)				(985,692)	(1,061,692)
Other Uses	(2,458)	(2,482)			(19,278)	(24,218)
<b>Total other financing receipts/(disbursements)</b>	<u>562,241</u>	<u>366,884</u>	<u>15,981</u>	<u>349,685</u>	<u>(1,004,970)</u>	<u>289,821</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	126,607	68,910	(3,217)	53,986	(4,453)	241,833
Fund cash balances January 1	341,580	136,199	3,217	(28,412)	28,518	481,102
<b>Fund cash balances, December 31</b>	<u>\$468,187</u>	<u>\$205,109</u>		<u>\$25,574</u>	<u>\$24,065</u>	<u>\$722,935</u>
Reserves for encumbrances, December 31	<u>\$72,703</u>	<u>\$24,192</u>				<u>\$96,895</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH  
BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS -  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>Agency</u>	
<b>Operating cash receipts:</b>					
Charges for services	\$7,002,855	\$430,183			\$7,433,038
Miscellaneous	21,225	9,914			31,139
<b>Total operating cash receipts</b>	<u>7,024,080</u>	<u>440,097</u>			<u>7,464,177</u>
<b>Operating cash disbursements:</b>					
Personal services	1,322,020				1,322,020
Fringe Benefits Travel Transportation	6,799				6,799
Contractual services	2,931,972	394,305			3,326,277
Supplies and materials	460,587				460,587
Capital outlay	253,571				253,571
<b>Total operating cash disbursements</b>	<u>4,974,949</u>	<u>394,305</u>			<u>5,369,254</u>
Operating income/(loss)	<u>2,049,131</u>	<u>45,792</u>			<u>2,094,923</u>
<b>Non-operating cash receipts:</b>					
Other non-operating receipts	<u>570,727</u>		<u>\$185</u>	<u>\$102,232</u>	<u>673,144</u>
<b>Total non-operating cash receipts</b>	<u>570,727</u>		<u>185</u>	<u>102,232</u>	<u>673,144</u>
<b>Non-operating cash disbursements:</b>					
Debt service	1,006,347				1,006,347
Other non-operating cash disbursements	<u>442,016</u>			<u>102,297</u>	<u>544,313</u>
<b>Total non-operating cash disbursements</b>	<u>1,448,363</u>			<u>102,297</u>	<u>1,550,660</u>
Excess of receipts over/(under) disbursements before interfund transfers and advances	1,171,495	45,792	185	(65)	1,217,407
Transfers-in	150,000				150,000
Transfers-out	<u>(150,000)</u>				<u>(150,000)</u>
<b>Net receipts over/(under) disbursements</b>	1,171,495	45,792	185	(65)	1,217,407
Fund cash balances, January 1	<u>3,374,971</u>	<u>203,818</u>	<u>8,373</u>	<u>2,165</u>	<u>3,589,327</u>
<b>Fund cash balances, December 31</b>	<u>\$4,546,466</u>	<u>\$249,610</u>	<u>\$8,558</u>	<u>\$2,100</u>	<u>\$4,806,734</u>
Reserve for encumbrances, December 31	<u>\$155,217</u>				<u>\$155,217</u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF HUBBARD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 1998**

<b>FUND TYPES/FUNDS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$ 1,561,174	\$ 1,549,205	\$( 11,969)
Special Revenue Funds	786,121	781,253	(4,868)
Debt Service Fund	15,981	15,981	
Capital Projects Funds	344,495	349,685	5,190
<b>PROPRIETARY FUND TYPES:</b>			
Enterprise Funds	7,744,808	7,744,807	(1)
Internal Service Fund	440,096	440,097	1
<b>FIDUCIARY FUND TYPES:</b>			
Trust Funds	<u>1,087,559</u>	<u>1,087,557</u>	<u>(2)</u>
Total (Memorandum Only)	<u>\$11,980,234</u>	<u>\$11,968,585</u>	<u>\$(11,649)</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 1998**

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<b>FUND TYPES/FUNDS</b>	<b>PRIOR YEAR CARRYOVER APPROPRIATIONS</b>	<b>1998 APPROPRIATIONS</b>	<b>TOTAL</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$ 7,948	\$ 1,464,064	\$ 1,472,012
Special Revenue Funds	671	759,443	760,114
Debt Service Fund		19,200	19,200
Capital Projects Funds		290,597	290,597
<b>PROPRIETARY FUND TYPES:</b>			
Enterprise Funds	178,284	6,795,336	6,973,620
Internal Service		394,305	394,305
<b>FIDUCIARY FUND TYPES:</b>			
Trust Funds	<u>          </u>	<u>1,091,814</u>	<u>1,091,814</u>
Total (Memorandum Only)	<u>\$ 186,903</u>	<u>\$10,814,759</u>	<u>\$11,001,662</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 1998**

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ACTUAL 1998 DISBURSEMENTS	ENCUMBRANCES OUTSTANDING AT 12-31-98	TOTAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 1,422,598	\$ 72,703	\$ 1,495,301	\$ (23,289)
712,343	24,192	736,535	23,579
19,198		19,198	2
295,699		295,699	(5,102)
6,573,312	155,217	6,728,529	245,091
394,305		394,305	
<u>1,091,825</u>	<u>          </u>	<u>1,091,825</u>	<u>(11)</u>
<u>\$10,509,280</u>	<u>\$252,112</u>	<u>\$10,761,392</u>	<u>\$ 240,270</u>

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**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The City of Hubbard 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 City of Hubbard operates under a council-mayor form of government and provides the following services: public safety, public service, health, recreation and development. Educational services are provided by the Hubbard Exempted School District. The School District is a separate governmental entity and its financial statements are not included in these financial statements.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

**B. BASIS OF ACCOUNTING**

Although required by Ohio Administrative Code Section 117-6-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**C. INVESTMENTS AND INACTIVE FUNDS**

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

**D. FUND ACCOUNTING**

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**GOVERNMENTAL FUND TYPES**

**General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Special Revenue Funds**

To account for proceeds of specific revenue sources (other than expendable trust, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds**

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

**Capital Projects Funds**

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

**PROPRIETARY FUND TYPES**

**Enterprise Funds**

To account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

**Internal Service Funds**

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**FIDUCIARY FUND TYPES**

**Trust and Agency Funds**

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds, Nonexpendable Trust Funds, and Agency Funds.

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. BUDGETARY PROCESS**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**2. Estimated Resources**

The county budget commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**F. PROPERTY, PLANT AND EQUIPMENT**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

As of December 31, 1998 the City maintains a cash and investment pool used by all funds.

**Legal Requirements:** Statutes require the classification of moneys held by the City into three categories. Category 1 consists of "active" moneys, those moneys required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such moneys must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only as certificates of deposit maturing not later than the end of the current designation of depositories.

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim moneys may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim moneys;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Notwithstanding the foregoing requirements, the City may invest any moneys not required to be used for a period of six months in the following classes of investments:

1. Bonds or other obligations of the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Discount notes of the Federal National Mortgage Association;
3. Bonds issued by the Home Owners' Loan Corporation;
4. Bonds of the State of Ohio; and



**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

5. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest, or coupons.

**Deposits:** At December 31, 1998, the carrying amount of the City's deposits was \$15,898 and the bank balance \$50,355 of pooled funds. The bank balance was covered by federal depository insurance.

**Investments:** The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Reported Amount	Fair Value
Treasury Investment Notes	\$242,127		\$242,127	\$242,127
Repurchase Agreements (Sweep)		698,352	698,352	698,352
STAR Ohio	_____	_____	<u>4,573,292</u>	<u>4,573,292</u>
Total Investments	<u>\$242,127</u>	<u>\$698,352</u>	<u>\$5,513,771</u>	<u>\$5,513,771</u>

**3. DEBT OBLIGATIONS**

Debt outstanding at December 31, 1998 consisted of the following:

OWDA Loan	
Principal Outstanding	\$2,468,144
Interest Rate	6.58%
Treasury Investment Notes	
Principal Outstanding	\$ 242,127
Interest Rates	5.25% and 6.00%
Sewer System Revenue Refunding Bonds (Series 1997)	
Principal Outstanding	\$5,505,000
Interest Rates	4.00% to 5.45%
OMEGA JV5	
Principal Outstanding	\$3,118,978
Percentage Ownership	2.07%

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**3. DEBT OBLIGATIONS (Continued)**

The City entered into a loan agreement with Ohio Water Development Authority (OWDA) in 1994 for water system improvement projects.

Treasury investment notes consist of certain interfund transactions in which one fund has borrowed money from another fund at a stated interest rate for a specified period of time. Proceeds from the notes were used to purchase a dump truck, and to finance the purchase and installation of new water meters throughout the City.

Sewer System Revenue Refunding Bonds, Series 1997 were issued to refinance the Series 1987 and 1992 Mortgage Revenue Sewer Bonds. Second National Bank is the Trustee (paying agent) for the City of Hubbard's \$5,800,000 bonds. The City of Hubbard is maintaining at Second National Bank the following 12/31/98 Account Balances:

1. Sewer Bond Service Fund Account - \$97,261 (which is utilized to account for the principal and interest activity).
2. Sewer Bond Reserve Fund Account - \$541,198 (which is required by the indenture).

The Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) debt is based on the City's percentage ownership of the project, which is to purchase electric at peak periods.

The City has entered into two loan agreements with the Ohio Public Works Commission for pump station replacement in the amount of \$234,930 and a waterline looping project in the amount of \$196,396. As of December 31, 1998 these projects have not been finalized, therefore, an amortization schedule was not prepared.

The annual requirements to amortize all treasury investment note debt outstanding as of December 31, 1998, including interest payments of \$22,453 are as follows:

<b>Year Ending December 31</b>	<b>Treasury Investment Notes</b>
1999	\$82,983
2000	79,890
2001	76,796
2002	<u>24,911</u>
Total	<u>\$264,580</u>

The annual requirements to amortize the bonded debt, OWDA loan, and OMEGA JV5 debt outstanding as of December 31, 1998, including interest payments of \$2,968,298, \$2,221,364, and \$2,754,079, respectively, is as follows:

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**3. DEBT OBLIGATIONS (Continued)**

Year Ending December 31	Sewer System Revenue Refunding Bonds	OWDA Loan	OMEGA JV5
1999	\$ 497,866	\$ 217,723	\$ 225,929
2000	498,408	217,723	225,853
2001	498,283	217,723	225,919
2002	497,473	217,723	225,865
2003	500,835	217,723	225,886
2004-2008	2,487,795	1,088,616	1,129,413
2009-2013	2,491,338	1,088,076	1,129,398
2014-2018	1,001,300	1,097,616	1,129,469
2019-2023		326,585	1,129,455
2024-2028	<u>                    </u>	<u>                    </u>	<u>225,870</u>
Total	<u>\$8,473,298</u>	<u>\$4,689,508</u>	<u>\$5,873,057</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the City.

**5. LOCAL INCOME TAX**

This locally levied tax of one percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City of Hubbard and to earnings of non-residents (except certain transients) earned in the government. It also applies to net income to business organizations conducted within the City. Tax receipts are credited to the City and amounted to \$1,066,216 in 1998.

(NOTE: The 1% City income tax is levied, as the result of the passage on September 3, 1974, of Ordinance No. 39-74).

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**6. INSURANCE**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real Property and contents are 100% coinsured.

**7. SELF-INSURANCE (MEDICAL BENEFITS)**

The City has elected to provide medical benefits through a self-insured program covering medical, dental, vision, and prescription insurance. Administrative Service Consultants, Inc. acts in the capacity of a third-party administrator (T.P.A.) to pay for the said insurance coverage claims, and the maintenance of these benefits are accounted for in the Employees Health (#820) Fund.

SAFECO Life Insurance Company is the stop/loss carrier for the payment of claims exceeding \$32,500 per individual and \$340,482 for the City as a whole.

**8. RETIREMENT COMMITMENTS**

The Public Employees Retirement System of Ohio is a state operated, cost-sharing, multiple employer public employee retirement system. Full-time permanent employees of the City belong to PERS. PERS provides retirement benefits to employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees. Employees contribute 8.5% of gross salary. The employer matching share is 13.55% of gross salary.

Law enforcement officers of the City are covered by the Police Disability Pension Fund. Officers contribute 10% of gross salary. The employer matching share is 19.5% of gross salary.

The City has paid all contributions required through December 31, 1998.

**9. JOINT VENTURES**

The City is a participant in two (2) joint ventures, as follows:

Ohio Municipal Electric Generation Agency Joint Venture 1 - (OMEGA JV-1)

The City participates in the OMEGA JV-1, in order to purchase supplemental electric power and energy. The 21 participants' equity consists of contributed capital of the participants and accumulated net margins. Should OMEGA JV-1 cease business, the participants' equity, will return to the participants.

All property constituting OMEGA JV-1 is owned by the participants, as tenants in common in undivided shares, each such share being equal to the participant's percentage ownership interest. The City's percent project ownership and entitlement is 3.79%.

OMEGA JV-1 does not have any debt outstanding.

Ohio Municipal Electric Generation Agency Joint Venture 5 - (OMEGA JV-5)

The City participates in the OMEGA JV-5 to purchase electric during peak periods. Participants' equity consists of contributed capital of the participants and accumulated net margins. Should OMEGA JV-5 cease business, these amounts, if available, will be returned to the participants.

**CITY OF HUBBARD  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**9. JOINT VENTURES (Continued)**

All property constituting OMEGA JV-5 is owned by the participants as tenants in common undivided shares, each share being equal to that participant's percentage ownership interest. The City of Hubbard's Percent Project Ownership and Entitlement is 2.07%.

The City's debt at December 31, 1998, which is based on their percentage ownership of the project is \$5,873,057, which consists of \$3,118,978 in principal and \$2,754,079 in interest. The debt will be retired in the year 2024.

**10. JOINTLY GOVERNED ORGANIZATION**

The City is a participant in a jointly governed organization, until a financial obligation exists, as follows:

Municipal Energy Services Agency - (MESA)

The City has signed an Intergovernmental Joint Venture Agreement with MESA to access a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems; to provide those services on call, as needed and as available for the benefit of the City.

The City will incur no financial obligation to the joint venture unless and until it avails itself of the services of the joint venture.

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**Report on Compliance and on Internal Control  
Required By *Government Auditing Standards***

City of Hubbard  
Trumbull County  
P.O. Box 307  
220 West Liberty Street  
Hubbard, Ohio 44425

To City Council:

We have audited the financial statements of the City of Hubbard as of and for the year ended December 31, 1998, and have issued our report thereon dated December 8, 2000, except for the financial statements of the internal service fund type, which we were unable to audit and on which we expressed no opinion. Our report indicated the City has prepared its financial statements on a basis of accounting other than generally accepted accounting principles.

Except as described in the preceding paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Hubbard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1998-21178-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Hubbard in a separate letter dated December 8, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Hubbard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Hubbard's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-21178-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to material weaknesses. The reportable condition described above is considered to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of City of Hubbard in a separate letter dated December 8, 2000.

This report is intended for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 8, 2000



**CITY OF HUBBARD  
TRUMBULL COUNTY  
1/1/98 THROUGH 12/31/98**

**SCHEDULE OF FINDINGS**

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

\* - Indicates repeat citations and recommendations from prior audit.

<b>Finding Number</b>	<b>1998-21178-001 *</b>
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**Noncompliance Citation**

Ohio Administrative Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

<b>Finding Number</b>	<b>1998-21178-002 *</b>
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**Reportable Condition - Material Weakness**

The City has delegated employees' health insurance claims processing and data processing services, which are significant accounting functions, to third party administrators. The City has not established procedures to reasonably determine that health insurance claims and data processing services have been completely and accurately administered in accordance with the contracts.

We recommend the City implement procedures to reasonably assure the completeness and accuracy of health insurance claims and data processing services handled by the third party administrators. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards which should satisfy this requirement. As described in the Statement, we suggest that the City obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from a third party administrator. Such a report, if unqualified, would provide evidence to the City's management that health insurance claims processing and data processing are in conformance with the contract.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**CITY OF HUBBARD**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2001**