



**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types	7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balance - All Proprietary Fund Types	8
Combined Statement of Cash Flows - All Proprietary Fund Types	9
Notes to the General-Purpose Financial Statements	11
Schedule of Federal Awards Expenditures	53
Notes to the Schedule of Federal Awards Expenditures	54
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	55
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings	59
Schedule of Prior Audit Findings	60

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Hubbard Exempted Village School District
150 Hall Ave.
Hubbard, Ohio 44425

To the Board of Education,

We have audited the accompanying general-purpose financial statements of the Hubbard Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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. 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hubbard Exempted Village School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 25, 2002

This page intentionally left blank.

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$240,498	\$194,554	\$102,353	\$32,303	\$112,088	\$70,396	\$105,217			\$857,409
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent . . .	5,372,917	1,880,988	412,340							7,666,245
Accounts	21,252	84			305					21,641
Due from other governments	1,181	12,686			462					14,329
Interfund loan receivable	15,986									15,986
Prepayments	16,436									16,436
Materials and supplies inventory					12,749					12,749
Restricted assets:										
↳ Equity in pooled cash and cash equivalents	66,895									66,895
Property, plant and equipment (net of accumulated depreciation where applicable)					62,761			\$12,582,042		12,644,803
OTHER DEBITS:										
Amount available in debt service fund . . .									\$103,375	103,375
Amount to be provided for retirement of general long-term obligations									2,958,539	2,958,539
Total assets and other debits	<u>\$5,735,165</u>	<u>\$2,088,312</u>	<u>\$514,693</u>	<u>\$32,303</u>	<u>\$188,365</u>	<u>\$70,396</u>	<u>\$105,217</u>	<u>\$12,582,042</u>	<u>\$3,061,914</u>	<u>\$24,378,407</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$86,536	\$19,768		\$4,415	\$3,039					\$113,758
Accrued wages and benefits	1,358,849	53,443			29,356					1,441,648
Compensated absences payable	11,511				3,751				\$1,171,700	1,186,962
Pension obligation payable	212,500	7,342			13,989				137,566	371,397
Interfund loan payable		15,986								15,986
Deferred revenue	5,359,597	1,889,011	\$411,318		8,365					7,668,291
Due to other governments							\$7,052			7,052
Due to students							85,505			85,505
Claims payable						\$29,680				29,680
Energy conservation notes payable									352,648	352,648
5 Bond anticipation notes payable									1,400,000	1,400,000
Total liabilities	7,028,993	1,985,550	411,318	4,415	58,500	29,680	92,557		3,061,914	12,672,927
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$12,582,042		12,582,042
Contributed capital					28,837					28,837
Retained earnings (accumulated deficit): unreserved					101,028	40,716				141,744
Fund balances:										
Reserved for encumbrances		10,977								10,977
Reserved for prepayments	16,436									16,436
Reserved for debt service			102,353							102,353
Reserved for tax revenue unavailable for appropriation	13,320	4,663	1,022							19,005
Reserved for BWC refunds	66,895									66,895
Unreserved:										
Designated for budget stabilization	104,105									104,105
Unreserved-undesignated (deficit)	(1,494,584)	87,122		27,888			12,660			(1,366,914)
Total equity and other credits	(1,293,828)	102,762	103,375	27,888	129,865	40,716	12,660	12,582,042		11,705,480
Total liabilities, equity and other credits	\$5,735,165	\$2,088,312	\$514,693	\$32,303	\$188,365	\$70,396	\$105,217	\$12,582,042	\$3,061,914	\$24,378,407

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$4,311,007	\$1,088,497	\$269,089			\$5,668,593
Earnings on investments	76,991	2,428			\$273	79,692
Other local revenues	224,082	132,451			11,528	368,061
Intergovernmental - State	8,424,131	347,327	10,452	\$116,703		8,898,613
Intergovernmental - Federal		364,508				364,508
Total revenue	13,036,211	1,935,211	279,541	116,703	11,801	15,379,467
Expenditures:						
Current:						
Instruction:						
Regular	6,761,724	65,130		194,301		7,021,155
Special	1,020,015	222,978				1,242,993
Vocational	247,150					247,150
Other	275,246					275,246
Support services:						
Pupil	643,811	34,469				678,280
Instructional staff	799,721	127,150				926,871
Board of Education	18,130					18,130
Administration	1,045,170					1,045,170
Fiscal	330,173	21,838				352,011
Business	39,794					39,794
Operations and maintenance	1,649,875			35,000		1,684,875
Pupil transportation	851,638					851,638
Central	14,422					14,422
Community services	134,343	22,510				156,853
Extracurricular activities	301,037	128,270			5,950	435,257
Facilities acquisition and construction	6,603			200,973		207,576
Pass through intergovernmental		104,897				104,897
Debt service:						
Principal retirement			163,825			163,825
Interest and fiscal charges	5,886		27,484			33,370
Total expenditures	14,144,738	727,242	191,309	430,274	5,950	15,499,513
Excess (deficiency) of revenues over (under) expenditures	(1,108,527)	1,207,969	88,232	(313,571)	5,851	(120,046)
Other financing sources (uses):						
Operating transfers in	1,204,785	42,631	114	231,558		1,479,088
Operating transfers out	(302,878)	(1,204,785)				(1,507,663)
Proceeds from sale of notes			1,400,000			1,400,000
Pass through payments to library			(1,400,000)			(1,400,000)
Proceeds from sale of assets	250	3,656				3,906
Total other financing sources (uses)	902,157	(1,158,498)	114	231,558		(24,669)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(206,370)	49,471	88,346	(82,013)	5,851	(144,715)
Fund balances (deficit), July 1 (restated)	(1,087,458)	53,291	15,029	109,901	6,809	(902,428)
Fund balances (deficit), June 30	(\$1,293,828)	\$102,762	\$103,375	\$27,888	\$12,660	(\$1,047,143)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$4,301,412	\$4,316,289	\$14,877	\$1,088,730	\$1,088,730	\$0	\$269,344	\$268,842	(\$502)				\$5,659,486	\$5,673,861	\$14,375
Earnings on investments.....	76,726	76,991	265	2,428	2,428	0							79,154	79,419	265
Other local revenues.....	233,813	234,622	809	133,754	133,754	0							367,567	368,376	809
Intergovernmental - State.....	8,393,916	8,422,950	29,034	345,312	345,312	0	10,472	10,452	(20)	\$116,703	\$116,703	\$0	8,866,403	8,895,417	29,014
Intergovernmental - Federal.....				366,523	366,523	0							366,523	366,523	0
Total revenues.....	<u>13,005,867</u>	<u>13,050,852</u>	<u>44,985</u>	<u>1,936,747</u>	<u>1,936,747</u>	<u>0</u>	<u>279,816</u>	<u>279,294</u>	<u>(522)</u>	<u>116,703</u>	<u>116,703</u>	<u>0</u>	<u>15,339,133</u>	<u>15,383,596</u>	<u>44,463</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	6,709,901	6,709,901	0	68,455	68,455	0				194,463	194,463	0	6,972,819	6,972,819	0
Special.....	1,043,477	1,043,477	0	227,895	227,895	0							1,271,372	1,271,372	0
Vocational.....	239,124	239,124	0										239,124	239,124	0
Other.....	275,709	275,709	0										275,709	275,709	0
Support services:															
Pupil.....	622,450	622,450	0	34,285	34,285	0							656,735	656,735	0
Instructional staff.....	795,451	795,451	0	129,968	129,968	0							925,419	925,419	0
Board of Education.....	18,033	18,033	0										18,033	18,033	0
Administration.....	1,052,151	1,052,151	0										1,052,151	1,052,151	0
Fiscal.....	329,137	329,137	0	21,839	21,839	0							350,976	350,976	0
Business.....	37,169	37,169	0										37,169	37,169	0
Operations and maintenance.....	1,617,844	1,617,844	0							35,000	35,000	0	1,652,844	1,652,844	0
Pupil transportation.....	915,561	915,561	0										915,561	915,561	0
Central.....	12,686	12,686	0										12,686	12,686	0
Community services.....	131,222	131,222	0	22,947	22,947	0							154,169	154,169	0
Extracurricular activities.....	285,912	285,912	0	138,025	138,025	0							423,937	423,937	0
Facilities acquisition and construction. Pass-through intergovernmental.....	6,602	6,602	0	118,898	118,898	0				196,558	196,558	0	203,160	203,160	0
Debt service:															
Principal retirement.....							363,825	363,825	0				363,825	363,825	0
Interest and fiscal charges.....							33,372	33,372	0				33,372	33,372	0
Total expenditures.....	<u>14,092,429</u>	<u>14,092,429</u>	<u>0</u>	<u>762,312</u>	<u>762,312</u>	<u>0</u>	<u>397,197</u>	<u>397,197</u>	<u>0</u>	<u>426,021</u>	<u>426,021</u>	<u>0</u>	<u>15,677,959</u>	<u>15,677,959</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures.....	(1,086,562)	(1,041,577)	44,985	1,174,435	1,174,435	0	(117,381)	(117,903)	(522)	(309,318)	(309,318)	0	(338,826)	(294,363)	44,463
Other financing sources (uses):															
Refund of prior year's expenditures.....	59,136	59,341	205										59,136	59,341	205
Refund of prior year's receipt.....				264	264	0							264	264	0
Operating transfers in.....	1,200,632	1,204,785	4,153	42,631	42,631	0	220,667	220,255	(412)	231,558	231,558	0	1,695,488	1,699,229	3,741
Operating transfers out.....	(512,809)	(512,809)	0	(1,204,785)	(1,204,785)	0	(14,254)	(14,254)	0				(1,731,848)	(1,731,848)	0
Advances in.....	46,839	47,001	162	15,986	15,986	0							62,825	62,987	162
Advance out.....	(15,985)	(15,985)	0	(27,238)	(27,238)	0				(4,603)	(4,603)	0	(47,826)	(47,826)	0
Proceeds from sale of notes.....							0	1,400,000	1,400,000				0	1,400,000	1,400,000
Pass through payments to library.....							0	(1,400,000)	(1,400,000)				0	(1,400,000)	(1,400,000)
Proceeds from sale of assets.....	249	250	1	3,656	3,656	0							3,905	3,906	1
Total other financing sources (uses).....	<u>778,062</u>	<u>782,583</u>	<u>4,521</u>	<u>(1,169,486)</u>	<u>(1,169,486)</u>	<u>0</u>	<u>206,413</u>	<u>206,001</u>	<u>(412)</u>	<u>226,955</u>	<u>226,955</u>	<u>0</u>	<u>41,944</u>	<u>46,053</u>	<u>4,109</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	(308,500)	(258,994)	49,506	4,949	4,949	0	89,032	88,098	(934)	(82,363)	(82,363)	0	(296,882)	(248,310)	48,572
Fund balances, July 1.....	462,073	462,073	0	126,846	126,846	0	14,255	14,255	0	112,926	112,926	0	716,100	716,100	0
Prior year encumbrances appropriated.....	62,202	62,202	0	32,014	32,014	0	0	0	0	1,740	1,740	0	95,956	95,956	0
Fund balances, June 30.....	<u>\$215,775</u>	<u>\$265,281</u>	<u>\$49,506</u>	<u>\$163,809</u>	<u>\$163,809</u>	<u>\$0</u>	<u>\$103,287</u>	<u>\$102,353</u>	<u>(\$934)</u>	<u>\$32,303</u>	<u>\$32,303</u>	<u>\$0</u>	<u>\$515,174</u>	<u>\$563,746</u>	<u>\$48,572</u>

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$17,491		\$17,491
Sales/charges for services	382,534	\$1,006,562	1,389,096
Other operating revenues.		97,042	97,042
	<u>400,025</u>	<u>1,103,604</u>	<u>1,503,629</u>
Operating expenses:			
Personal services	274,948	102,655	377,603
Contract services	7,651		7,651
Materials and supplies	389,053		389,053
Depreciation	8,498		8,498
Claims expense		766,213	766,213
	<u>680,150</u>	<u>868,868</u>	<u>1,549,018</u>
Operating income (loss)	<u>(280,125)</u>	<u>234,736</u>	<u>(45,389)</u>
Nonoperating revenues:			
Operating grants.	224,264		224,264
Federal commodities	40,197		40,197
Interest revenue	1,214	727	1,941
	<u>265,675</u>	<u>727</u>	<u>266,402</u>
Net income (loss) before operating transfers	(14,450)	235,463	221,013
Operating transfers in.	<u>28,575</u>		<u>28,575</u>
Net income.	14,125	235,463	249,588
Retained earnings (accumulated deficit) at July 1 (restated)	<u>86,903</u>	<u>(194,747)</u>	<u>(107,844)</u>
Retained earnings at June 30.	<u>\$101,028</u>	<u>\$40,716</u>	<u>\$141,744</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$17,661		\$17,661
Cash received from sales/service charges.	382,229	\$1,006,706	1,388,935
Cash received from other operations		97,042	97,042
Cash payments for personal services	(286,096)	(102,658)	(388,754)
Cash payments for contract services	(7,827)		(7,827)
Cash payments for materials and supplies	(344,127)		(344,127)
Cash payments for claims expenses.		(975,447)	(975,447)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	(238,160)	25,643	(212,517)
Cash flows from noncapital financing activities:			
Cash received from operating grants	223,802		223,802
Cash received from operating transfers in	28,575		28,575
Cash used in repayment of interfund loans.	(15,159)		(15,159)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities.	237,218		237,218
Cash flows from investing activities:			
Interest received	1,414	727	1,941
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	1,214	727	1,941
Net increase in cash and cash equivalents			
	272	26,370	26,642
Cash and cash equivalents at beginning of year.			
	111,816	44,026	155,842
Cash and cash equivalents at end of year			
	<u>\$112,088</u>	<u>\$70,396</u>	<u>\$182,484</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$280,125)	\$234,736	(\$45,389)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	8,498		8,498
Federal donated commodities.	40,197		40,197
Changes in assets and liabilities:			
Increase in materials and supplies inventory	4,070		4,070
(Increase) decrease in accounts receivable	(135)	144	9
Increase (decrease) in accounts payable.	2,754	(3)	2,751
Increase in accrued wages and benefits	5,174		5,174
Decrease in compensated absences payable.	(15,441)		(15,441)
Decrease in pension obligation payable	(881)		(881)
Decrease in claims payable		(209,234)	(209,234)
Decrease in deferred revenue	(2,271)		(2,271)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	(238,160)	\$25,643	(212,517)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

This page intentionally left blank.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Hubbard Exempted Village School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

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

The District ranks as the 220th largest by enrollment among the 682 public and community school districts in the State. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 96 non-certified employees, 158 certified employees and 7 administrators to provide services to approximately 2,399 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District serves as a taxing authority for the Hubbard Public Library (the "Library"). The Library is a separate political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The District does not appoint a majority of the Library's Board of Trustees nor does the District approve the Library's budget or influence its operations. The District has reported tax related debt for the Library in its GPFS (see Note 10.B.).

Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District. The following organizations are described due to their relationship with the District:

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among twenty-eight school districts and two county boards of education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NEOMIN based upon a per pupil charge dependent upon the software package utilized. The District remitted \$38,651 to NEOMIN in fiscal 2001. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NEOMIN as a residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. Complete financial statements for NEOMIN may be obtained from the administrative offices at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

North East Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP was established under section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

RELATED ORGANIZATION

Hubbard Parks and Recreation

The Board of Education appoints citizens to the Parks and Recreation Board when there are vacancies. This is the Board of Education's only involvement with the Board of Parks and Recreation.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or 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 purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Expendable Trust Fund - The expendable trust fund is accounted for in essentially the same manner as the governmental funds, using the same measurement focus and basis of accounting. Expendable trust funds account for assets when both the principal and interest may be spent.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Agency Funds - The agency funds are custodial in nature and do not involve results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals, which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund type level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund type level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund type must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All fund types completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2001.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund type level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 13 to the GPFS.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to STAR Ohio and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, expendable trust fund, student activity fund, food service fund and employee benefits self-insurance fund which are individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal 2001 amounted to \$76,991, which includes \$42,762 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	5 - 20

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Program

Special Revenue Fund

Education Management Information Systems (EMIS)

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Teacher Development
Disadvantaged Pupil Impact Aid
Title VI-B
Title I
Title VI
Summer Intervention
Title VI-R Class Size Reduction
SchoolNet Professional Development
Safe School Hotline
Extended Learning Opportunity

Capital Projects Fund

SchoolNet

Reimbursable Grants

Enterprise Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 55% of the District's operating revenue during the 2001 fiscal year.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, 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, were included.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

J. Long-Term Obligations

Long term debt is recognized as a liability of a government fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation, and Bureau of Worker's Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

L. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transaction are accounted for as revenues, expenditures or expenses.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

See Note 5 for an analysis of interfund transactions.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 18 for details.

N. Estimates

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

O. Parochial School

Within the District’s boundaries is St. Patrick’s parochial school, which is operated through the Youngstown Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

P. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Q. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Prior Period Adjustment

In prior years, the District “advanced” monies from the general fund to the District Managed Student Activities special revenue fund and the Food Service enterprise fund. These “advances” were subject to repayment, however, they were not reported as an “interfund loans receivable” or an “interfund loans payable” on the combined balance sheet. In addition, in prior years, the District “advanced” monies from the general fund to various other funds to subsidize their activities. These “advances” should be reclassified as “operating transfers” since they are not subject to repayment. A prior period adjustment is required to properly state the interfund loans at June 30, 2000. The effect of this adjustment on fund balances/retained earnings, as previously reported, is as follows:

	General	Special Revenue	Enterprise
Fund balance/retained earnings as previously reported	\$(1,115,250)	\$ 67,813	\$100,173
Restatement for advances	<u>27,792</u>	<u>(14,522)</u>	<u>(13,270)</u>
Fund balance/retained earnings as of July 1, 2000	<u>\$(1,087,458)</u>	<u>\$ 53,291</u>	<u>\$ 86,903</u>

C. Deficit Fund Balance

	<u>Deficit Balance</u>
General Fund	\$1,293,828
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	485
Title VI-B	3,101
Title I	47,600
Miscellaneous Federal Grants	5,646
<u>Capital Projects Fund</u>	
Permanent Improvement	4,415

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the general fund is caused primarily by the reporting of liabilities for accrued wages, benefits and retirement obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balances in the Disadvantaged Pupil Impact Aid, Title VI-B and Miscellaneous Federal Grants special revenue funds are caused by accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Title I special revenue fund is a result of the application of GAAP, namely in the recognition of an interfund loan as a fund liability, rather than as an "other financing source" and in the reporting of a liability for accrued wages, benefits and retirement obligations with GAAP. This deficit will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit fund balance in the Permanent Improvement capital projects fund is a result of the application of GAAP, namely in the recognition of accounts payable. This deficit will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

D. Agency Funds

The following is an accrual for the agency funds which, in other fund types, would be recognized in the combined balance sheet:

<u>Liabilities</u>	
Accounts payable	\$18,757

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Cash on hand: At fiscal year-end, the District had \$1,642 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of “Equity in Pooled Cash and Cash Equivalents.”

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements”.

Deposits: At year-end, the carrying amount of the District’s deposits was \$(384,203) and the bank balance was \$47,369. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. The entire bank balance was covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized 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 securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District’s name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$993,377</u>	\$ 993,377	\$ 993,377
Investment in STAR Ohio		<u>313,488</u>	<u>313,488</u>
Total investments		<u>\$1,306,865</u>	<u>\$1,306,865</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$ 924,304	\$ 0
Investments of the cash management pool:		
Repurchase agreement	(993,377)	993,377
Investment in STAR Ohio	(313,488)	313,488
Cash on hand	<u>(1,642)</u>	<u>---</u>
Per GASB Statement No. 3	<u>\$(384,203)</u>	<u>\$1,306,865</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

- A.** The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,204,785	\$ 302,878
<u>Special Revenue Funds</u>		
Emergency Levy	---	1,204,785
District Managed Student Activities	25,292	---
Title I	17,339	---
Debt Service Fund	114	---
<u>Capital Projects Fund</u>		
Permanent Improvement	231,558	---
<u>Enterprise Funds</u>		
Uniform School Supplies	<u>28,575</u>	<u>---</u>
Total	<u>\$1,507,663</u>	<u>\$1,507,663</u>

- B.** Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$15,986	\$ ---
<u>Special Revenue Funds</u>		
Title II	---	13,659
Title VI-R Class Size Reduction	<u>---</u>	<u>2,327</u>
Total	<u>\$15,986</u>	<u>\$15,986</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies (50% of market) and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$191,856,358. Agricultural/residential and public utility real estate represented \$137,212,430 or 71.52% of this total; Commercial/ industrial real estate represented \$24,824,370 or 12.94% of this total; public utility tangible represented \$7,770,420 or 4.05% of this total and general tangible property represented \$22,049,138 or 11.49% of this total. The voted general tax rate for operations during the period was \$53.32 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

The Trumbull County Treasurer collects property tax on behalf of the District. The Trumbull County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$19,005 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$5,372,917
Accounts	21,252
Due from other governments	1,181
Interfund loan receivable	15,986
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	1,880,988
Accounts	84
Due from other governments	12,686
<u>Debt Service Fund</u>	
Taxes - current & delinquent	412,340
<u>Enterprise Funds</u>	
Accounts	305
Due from other governments	462

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u> <u>07/01/00</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/01</u>
Land/improvements	\$ 1,329,728	\$103,497	\$ ---	\$ 1,433,225
Buildings/improvements	6,889,020	---	---	6,889,020
Furniture/equipment	2,949,438	309,270	(8,139)	3,250,569
Vehicles	<u>971,675</u>	<u>67,193</u>	<u>(29,640)</u>	<u>1,009,228</u>
Total	<u>\$12,139,861</u>	<u>\$479,960</u>	<u>\$(37,779)</u>	<u>\$12,582,042</u>

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 348,196
Less: accumulated depreciation	<u>(285,435)</u>
Net fixed assets	<u>\$ 62,761</u>

NOTE 9 - CONTRIBUTED CAPITAL

Contributed capital for the year ended June 30, 2001 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$28,837
Current contributions from other funds	<u>---</u>
Contributed capital, June 30, 2001	<u>\$28,837</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 10 - LONG-TERM OBLIGATIONS

- A. In a prior fiscal year, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the general long-term obligations account group.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/00</u>	<u>Retired in 2001</u>	<u>Balance 06/30/01</u>
Energy Conservation Note	5.10%	08/30/93	06/01/03	\$340,000	\$(105,000)	\$235,000
Energy Conservation Note	5.75%	09/10/93	06/30/03	<u>176,473</u>	<u>(58,825)</u>	<u>117,648</u>
Total				<u>\$516,473</u>	<u>\$(163,825)</u>	<u>\$352,648</u>

The following is a summary of the District's future annual debt service requirements to maturity for energy conservation notes:

<u>Year Ending June 30,</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2002	\$173,824	\$18,749	\$192,573
2003	<u>178,824</u>	<u>9,502</u>	<u>188,326</u>
Total	<u>\$352,648</u>	<u>\$28,251</u>	<u>\$380,899</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. During fiscal year 2000, a tax levy was passed in the District's name for the Hubbard Public Library (the "Library"). In accordance with Ohio Revised Code Section 3375.43 - 45, local libraries are not allowed to issue debt or levy taxes in their name, therefore, after School Board approval, the levy was placed in the name of Hubbard Exempted Village School District. The District acts as taxing authority for the Library, collects levied taxes and makes required debt service payments. The general obligation bonds will not be issued until fiscal year 2002 (See Note 19), however, on February 10, 2001, the District issued bond anticipation notes in the amount of \$1,400,000. Although the bond anticipation notes were issued on behalf of the Library, and the proceeds of the bond anticipation notes were transferred to the Board of Trustees of the Library, the bond anticipation notes constitute indebtedness of the District. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation notes are considered long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued. A summary of the bond anticipation note transactions for the year ended June 30, 2001 follows:

	<u>Balance</u> <u>07/01/00</u>	<u>Additions</u> <u>in 2001</u>	<u>Retired</u> <u>in 2001</u>	<u>Balance</u> <u>06/30/01</u>
Library Improvement Bond				
Anticipation Notes - 4.15%	\$ <u>0</u>	\$ <u>1,400,000</u>	\$ <u>---</u>	\$ <u>1,400,000</u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

	<u>Balance</u> <u>07/01/00</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/01</u>
Compensated absences	\$1,120,801	\$ 50,899	\$ ---	\$1,171,700
Pension obligation payable	132,594	137,566	(132,594)	137,566
Energy conservation notes payable	516,473	---	(163,825)	352,648
Bond anticipation notes payable	<u>0</u>	<u>1,400,000</u>	<u>---</u>	<u>1,400,000</u>
Total	<u>\$1,769,868</u>	<u>\$1,588,465</u>	<u>\$(296,419)</u>	<u>\$3,061,914</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$17,370,447 (including available funds of \$103,375) and an unvoted debt margin of \$191,856.

NOTE 11 - SPENDING RESERVE NOTE PAYABLE

During fiscal year 2000, the District issued a \$200,000 spending reserve note for the purpose of paying current expenses. The note is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The note, a liability of the general fund, was repaid in fiscal year 2001.

The following is a description of the spending reserve note activity during fiscal 2001:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 07/01/00</u>	<u>Retired in 2001</u>	<u>Balance 06/30/01</u>
Spending reserve note	06/29/00	12/29/00	5.790%	<u>\$200,000</u>	<u>\$(200,000)</u>	<u>\$ 0</u>

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The 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. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles and liability. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents are fully insured with a liability limit of \$34,751,575 and a deductible of \$1,000.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 - RISK MANAGEMENT - (Continued)

The District's fleet insurance coverage has a liability of \$1,000,000 for each accident, \$300,000 for each uninsured motorist accident, aggregate of \$1,000,000. The property damage liability is 250,000.

The District's liability policy has a liability limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Employee Group Medical, Dental, Prescription and Life Insurance

For the period July 1, 2000 through February 28, 2001, the District established an employee benefits self-insurance fund in the internal service fund to account for and finance its uninsured risks of loss. Under this program, the self- insurance fund provided coverage for up to a maximum of \$40,000 for each health insurance claim. The District purchased commercial insurance for claims in excess of coverage provided by this fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Effective March 1, 2001, the District elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical, prescription and dental plan, which are administered by Medical Mutual of Ohio located in Cleveland. The District also provides life insurance for its employees through Anthem.

The liability for unpaid claims of \$29,680 reported in the internal service fund at June 30, 2001, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in the claims liability for the past two fiscal years follows:

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2000 - 2001	\$238,914	\$766,213	\$(975,447)	\$ 29,680
1999 - 2000	212,071	874,093	(847,250)	238,914

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$354,615	\$ 45,410	\$400,025
Operating expenses less depreciation	593,660	77,992	671,652
Depreciation	8,498	---	8,498
Operating grants	224,264	---	224,264
Operating transfers in	28,575	---	28,575
Net income (loss)	18,132	(4,007)	14,125
Net working capital	33,883	36,972	70,855
Total assets	148,463	39,902	188,365
Total liabilities	55,570	2,930	58,500
Contributed capital	28,837	---	28,837
Total fund equity	92,893	36,972	129,865
Encumbrances at June 30, 2001	---	8,414	8,414

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$349,848, \$346,132, and \$318,457, respectively; 54.76 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$158,916, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. A provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,047,699, \$972,428, and \$943,609, respectively; 83.71 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$170,626, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$331,852 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$282,462 during the 2001 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(258,994)	\$ 4,949	\$ 88,098	\$(82,363)
Net adjustment for revenue accruals	(14,641)	(1,536)	247	---
Net adjustment for expenditure accruals	(94,421)	4,323	205,888	(4,253)
Net adjustment for other sources/(uses)	119,574	10,988	(205,887)	4,603
Adjustment for encumbrances	<u>42,112</u>	<u>30,747</u>	<u>---</u>	<u>---</u>
GAAP basis	<u><u>\$(206,370)</u></u>	<u><u>\$49,471</u></u>	<u><u>\$ 88,346</u></u>	<u><u>\$(82,013)</u></u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. On November 5, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2000	\$(18,589)	\$ 0	\$ 167,413
Current year set-aside requirement	---	335,202	---
Elimination of budget stabilization reserve	---	---	(167,413)
Current year offsets	---	---	---
Qualifying disbursements	<u>---</u>	<u>(413,389)</u>	<u>---</u>
 Total	 <u>\$(18,589)</u>	 <u>\$ (78,187)</u>	 <u>\$ 0</u>
Balance carried forward to FY 2002	<u>\$(18,589)</u>	<u>\$ 0</u>	<u>\$ 0</u>

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 18 - STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as designated fund balance in the general fund since the School Board reestablished a budget stabilization reserve in accordance with ORC Section 5705.13 by June 30, 2001. In addition to these funds, the District added \$3,587 to the budget stabilization reserve in fiscal 2001. The balance in the budget stabilization designation at June 30, 2001, was \$104,105. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

The current year set aside normally required for textbooks and instructional materials was not necessary as the District obtained proper legal approval from the Superintendent, Hubbard Education Association and by a unanimous vote of the Board of Education to appropriate the funds for other purposes. These parties have determined that sufficient textbooks and instructional materials currently exist at the District.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	\$66,895
Total restricted assets	<u>\$66,895</u>

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

On October 25, 2001, the District issued \$1,400,000 in general obligation bonds on behalf of the Hubbard Public Library. The bonds were placed in the name of the Hubbard Exempted Village School District (see Note 10.B.). The bonds were issued to provide funds for library improvements, and are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The source of payment is derived from a current bonded debt tax levy.

This page intentionally left blank.

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$37,887		\$40,197
National School Breakfast Program		10.553	\$25,161		\$25,161	
National School Lunch Program		10.555	183,334		183,334	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>208,495</u>	<u>37,887</u>	<u>208,495</u>	<u>40,197</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-01 6B-SF-00	84.027 84.027	130,247		117,964 1,558	
Total Special Education Cluster			<u>130,247</u>		<u>119,522</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00 C1-S1-01	84.010 84.010	160,787		25,358 175,765	
Total Grants to Local Educational Agencies			<u>160,787</u>		<u>201,123</u>	
Eisenhower Grant (Title II)	MS-S1-01	84.281	8,739		5,603	
Title VI-R	CR-S1-01	84.340	42,347		37,108	
Innovative Educational Program Strategies	C2-S1-01 C2-S1-00 C2-S1-99	84.298 84.298 84.298	12,724		8,744 (4,282) 5,915	
Total Innovative Educational Program Strategies			<u>12,724</u>		<u>10,377</u>	
Drug-Free Schools Grant	DR-S1-99 DR-S1-01	84.186 84.186	9,664		9,664	
Total Department of Education			<u>364,508</u>		<u>383,397</u>	
Totals			<u><u>\$573,003</u></u>	<u><u>\$37,887</u></u>	<u><u>\$591,892</u></u>	<u><u>\$40,197</u></u>

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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Education
Hubbard Exempted Village School District
150 Hall Ave.
Hubbard, Ohio 44425

To the Board of Education,

We have audited the financial statements of Hubbard Exempted Village School District as of and for the year ended June 30, 2001, and have issued our report thereon dated January 25, 2002. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether Hubbard Exempted Village School District'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of Hubbard Exempted Village School District in a separate letter dated January 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hubbard Exempted Village School District'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 Hubbard Exempted Village School District in a separate letter dated January 25, 2002.

Hubbard Exempted Village School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 25, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Hubbard Exempted Village School District
150 Hall Ave.
Hubbard, Ohio 44425

To the Board of Education,

Compliance

We have audited the compliance of Hubbard Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hubbard Exempted Village School District's management. Our responsibility is to express an opinion on Hubbard Exempted Village School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Hubbard Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hubbard Exempted Village School District's compliance with those requirements.

In our opinion, Hubbard Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Hubbard Exempted Village School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hubbard Exempted Village School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of Hubbard Exempted Village School District in a separate letter dated January 25, 2002.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 25, 2002

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: Food Distribution 10.550 National Sch. Breakfast 10.553 National Sch. Lunch 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	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

**HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2001**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2000-11178-001	Ohio Rev Code § 5705.39 - Appropriations exceeded estimated resources in seven funds.	Yes	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2002**