



**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Huber Heights City School District
Montgomery County
5954 Longford Road
Huber Heights, Ohio 45424

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Huber Heights City School, Montgomery County, (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Huber Heights City School District, Montgomery County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2000 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.

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 receipts and 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

March 13, 2000

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$3,516,107	\$525,143	\$151,982	\$1,698,260
Cash with Fiscal Agent	0	14,724	20,956	0
Restricted Pooled Cash and Investments	622,658	0	0	0
Receivables:				
Taxes	15,942,960	0	38,702	734,966
Intergovernmental	0	5,050	0	0
Accounts	2,163	0	0	0
Inventory	518,655	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets & Other Debits	<u>\$20,602,543</u>	<u>\$544,917</u>	<u>\$211,640</u>	<u>\$2,433,226</u>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$616,444	\$60,105	\$0	\$36,019
Accrued Wages & Benefits	4,041,677	108,796	0	0
Compensated Absences Payable	47,499	884	0	0
Deferred Revenue	15,546,413	0	38,702	715,425
Due to Students	0	0	0	0
Matured Bonds Payable	0	0	20,956	0
General Obligation Bonds Payable	0	0	0	0
Capital Lease Obligations	0	0	0	0
Notes Payable	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>20,252,033</u>	<u>169,785</u>	<u>59,658</u>	<u>751,444</u>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	841,396	98,883	0	411,863
Reserved for Property Tax Advances	396,547	0	0	19,541
Reserved for Inventory	518,655	0	0	0
Reserved For Set-Asides	622,658	0	0	0
Unreserved & Undesignated	<u>(2,028,746)</u>	<u>276,249</u>	<u>151,982</u>	<u>1,250,378</u>
Total Fund Equity (Deficit) & Other Credits	<u>350,510</u>	<u>375,132</u>	<u>151,982</u>	<u>1,681,782</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$20,602,543</u>	<u>\$544,917</u>	<u>\$211,640</u>	<u>\$2,433,226</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Enterprise					
\$283,404	\$114,519	\$0	\$0	\$6,289,415	
0	0	0	0	35,680	
0	0	0	0	622,658	
0	0	0	0	16,716,628	
69,111	0	0	0	74,161	
593	0	0	0	2,756	
24,385	0	0	0	543,040	
198,795	0	31,145,600	0	31,344,395	
0	0	0	151,982	151,982	
0	0	0	4,622,836	4,622,836	
<u>\$576,288</u>	<u>\$114,519</u>	<u>\$31,145,600</u>	<u>\$4,774,818</u>	<u>\$60,403,551</u>	
\$22,823	\$5,446	\$0	\$0	\$740,837	
82,899	0	0	224,948	4,458,320	
103,285	0	0	2,517,025	2,668,693	
14,652	0	0	0	16,315,192	
0	101,456	0	0	101,456	
0	0	0	0	20,956	
0	0	0	80,000	80,000	
0	0	0	278,988	278,988	
0	0	0	1,673,857	1,673,857	
223,659	106,902	0	4,774,818	26,338,299	
0	0	31,145,600	0	31,145,600	
80,000	0	0	0	80,000	
272,629	0	0	0	272,629	
0	0	0	0	1,352,142	
0	0	0	0	416,088	
0	0	0	0	518,655	
0	0	0	0	622,658	
0	7,617	0	0	(342,520)	
<u>352,629</u>	<u>7,617</u>	<u>31,145,600</u>	<u>0</u>	<u>34,065,252</u>	
<u>\$576,288</u>	<u>\$114,519</u>	<u>\$31,145,600</u>	<u>\$4,774,818</u>	<u>\$60,403,551</u>	

**Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$14,923,651	\$0	\$34,400	\$683,598	\$0	\$15,641,649
Intergovernmental	21,075,516	1,462,974	5,163	804,840	5,486	23,353,979
Investment	412,933	1,902	0	0	86	414,921
Tuition & Fees	324,437	33,941	0	0	0	358,378
Extracurricular Activities	95,993	343,103	0	0	0	439,096
Miscellaneous	294,154	6,300	0	0	1,231	301,685
Total Revenues	37,126,684	1,848,220	39,563	1,488,438	6,803	40,509,708
Expenditures:						
Current:						
Instruction:						
Regular	19,733,650	381,562	0	628,543	4,477	20,748,232
Special	2,848,220	486,143	0	0	0	3,334,363
Vocational	876,008	97	0	0	0	876,105
Other	507,187	0	0	0	0	507,187
Support Services:						
Pupils	1,939,019	146,539	0	0	0	2,085,558
Instructional Staff	2,840,267	248,831	0	0	0	3,089,098
Board of Education	43,419	0	0	0	0	43,419
Administration	2,620,728	24,816	0	0	0	2,645,544
Fiscal	526,707	0	1,479	7,870	0	536,056
Business	414,607	0	0	0	0	414,607
Operation & Maintenance of Plant	3,240,431	10,377	0	0	0	3,250,808
Pupil Transportation	1,759,231	0	0	0	0	1,759,231
Central	357,343	1,655	0	0	0	358,998
Operation of Non-Instructional Services	0	348,421	0	0	0	348,421
Extracurricular Activities	407,020	228,029	0	0	0	635,049
Capital Outlay	0	0	0	1,618,509	0	1,618,509
Debt Service:						
Principal Retirement	313,259	0	75,000	0	0	388,259
Interest & Fiscal Charges	85,836	0	10,725	0	0	96,561
Total Expenditures	38,512,932	1,876,470	87,204	2,254,922	4,477	42,736,005
Excess of Revenues Over (Under) Expenditures	(1,386,248)	(28,250)	(47,641)	(766,484)	2,326	(2,226,297)
Other Financing Sources (Uses):						
Proceeds of Notes	0	0	0	945,500	0	945,500
Total Other Financing Sources (Uses)	0	0	0	945,500	0	945,500
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(1,386,248)	(28,250)	(47,641)	179,016	2,326	(1,280,797)
Fund Balance, Beginning of Year	1,742,253	403,382	199,623	1,502,766	5,291	3,853,315
Increase (Decrease) in Reserve for Inventory	(5,495)	0	0	0	0	(5,495)
Fund Balance, End of Year	\$350,510	\$375,132	\$151,982	\$1,681,782	\$7,617	\$2,567,023

See accompanying notes to the general purpose financial statements.

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**Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 1999**

	General			Special Revenue	
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual
Revenues:					
Taxes	\$15,363,280	\$15,363,280	\$0	\$0	\$0
Intergovernmental	21,075,515	21,075,515	0	1,479,028	1,479,028
Investment	433,044	433,044	0	0	0
Tuition & Fees	325,333	325,333	0	0	0
Extracurricular Activities	95,993	95,993	0	322,901	322,901
Miscellaneous	313,088	313,088	0	6,300	6,300
Total Revenues	37,606,253	37,606,253	0	1,808,229	1,808,229
Expenditures:					
Current:					
Instruction:					
Regular	19,895,953	19,895,953	0	485,049	485,049
Special	2,828,283	2,828,283	0	451,944	451,944
Vocational	874,921	874,921	0	637	637
Other	505,076	505,076	0	0	0
Support Services:					
Pupils	1,961,227	1,961,227	0	150,820	150,820
Instructional Staff	2,874,480	2,874,480	0	246,280	246,280
Board of Education	43,419	43,419	0	0	0
Administration	2,633,233	2,633,233	0	24,816	24,816
Fiscal	564,997	564,997	0	0	0
Business	684,424	684,424	0	0	0
Operation & Maintenance of Plant	3,600,383	3,600,383	0	12,885	12,885
Pupil Transportation	1,904,498	1,904,498	0	0	0
Central	360,546	360,546	0	1,655	1,655
Operation of Non-Instructional Services	0	0	0	379,565	379,565
Extracurricular Activities	405,840	405,840	0	192,219	192,219
Capital Outlay	0	0	0	0	0
Debt Service:					
Principal Retirement	313,259	313,259	0	0	0
Interest & Fiscal Charges	85,836	85,836	0	0	0
Total Expenditures	39,536,375	39,536,375	0	1,945,870	1,945,870
Excess (Deficiency) of Revenues Over Under Expenditures	(1,930,122)	(1,930,122)	0	(137,641)	(137,641)
Other Financing Sources (Uses):					
Proceeds of Notes	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(1,930,122)	(1,930,122)	0	(137,641)	(137,641)
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	4,597,651	4,597,651	0	500,561	500,561
Fund Balance, End of Year	\$2,667,529	\$2,667,529	\$0	\$362,920	\$362,920

See accompanying notes to the general purpose financial state.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$39,068	\$39,068	\$0	\$705,246	\$705,246	\$0	\$16,107,594	\$16,107,594	\$0
5,163	5,163	0	804,840	804,840	0	23,364,546	23,364,546	0
0	0	0	0	0	0	433,044	433,044	0
0	0	0	0	0	0	325,333	325,333	0
0	0	0	0	0	0	418,894	418,894	0
0	0	0	0	0	0	319,388	319,388	0
44,231	44,231	0	1,510,086	1,510,086	0	40,968,799	40,968,799	0
0	0	0	634,134	634,134	0	21,015,136	21,015,136	0
0	0	0	0	0	0	3,280,227	3,280,227	0
0	0	0	0	0	0	875,558	875,558	0
0	0	0	0	0	0	505,076	505,076	0
0	0	0	0	0	0	2,112,047	2,112,047	0
0	0	0	0	0	0	3,120,760	3,120,760	0
0	0	0	0	0	0	43,419	43,419	0
0	0	0	0	0	0	2,658,049	2,658,049	0
1,479	1,479	0	7,870	7,870	0	574,346	574,346	0
0	0	0	0	0	0	684,424	684,424	0
0	0	0	0	0	0	3,613,268	3,613,268	0
0	0	0	0	0	0	1,904,498	1,904,498	0
0	0	0	0	0	0	362,201	362,201	0
0	0	0	0	0	0	379,565	379,565	0
0	0	0	0	0	0	598,059	598,059	0
0	0	0	2,060,501	2,060,501	0	2,060,501	2,060,501	0
75,000	75,000	0	0	0	0	388,259	388,259	0
10,725	10,725	0	0	0	0	96,561	96,561	0
87,204	87,204	0	2,702,505	2,702,505	0	44,271,954	44,271,954	0
(42,973)	(42,973)	0	(1,192,419)	(1,192,419)	0	(3,303,155)	(3,303,155)	0
0	0	0	945,500	945,500	0	945,500	945,500	0
0	0	0	945,500	945,500	0	945,500	945,500	0
(42,973)	(42,973)	0	(246,919)	(246,919)	0	(2,357,655)	(2,357,655)	0
194,955	194,955	0	1,497,297	1,497,297	0	6,790,464	6,790,464	0
\$151,982	\$151,982	\$0	\$1,250,378	\$1,250,378	\$0	\$4,432,809	\$4,432,809	\$0

**Combined Statement of Revenues, Expenses
And Changes in Retained Earnings
Proprietary Fund Type
For the Year Ended June 30, 1999**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Charges for Services	\$1,356,605
Tuition & Fees	298,303
Total Operating Revenues	1,654,908
Operating Expenses:	
Salaries	881,729
Fringe Benefits	209,230
Purchased Services	18,671
Materials & Supplies	1,141,220
Depreciation	17,690
Other Operating Expenses	1,660
Total Operating Expenses	2,270,200
Operating Income (Loss)	(615,292)
Non-Operating Revenues (Expenses):	
Investment Revenue	902
Donated Commodities	160,940
Operating Grants - State & Local	27,649
Operating Grants - Federal	453,246
Total Non-Operating Revenues	642,737
Net Income	27,445
Retained Earnings, Beginning of Year	245,184
Retained Earnings, End of Year	\$272,629

See accompanying notes to the general purpose financial statements.

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended June 30, 1999**

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Tuition & Fees	\$298,303
Cash Received from Charges for Services	1,359,292
Cash Payments for Personal Services	(1,050,007)
Cash Payments for Contract Services	(18,671)
Cash Payments for Supplies & Materials	(963,565)
Cash Payments for Other Expenses	(1,660)
Net Cash Provided (Used) by Operating Activities	(376,308)
Cash Flows from Non-Capital Financing Activities:	
Cash Received from Operating Grants	471,995
Cash Received from Investment Earnings	902
Net Cash Provided (Used) by Non-Capital Financing Activities	472,897
Net Increase (Decrease) in Cash and Cash Equivalents	96,589
Cash and Cash Equivalents at Beginning of Year	186,815
Cash and Cash Equivalents at End of Year	\$283,404
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(\$615,292)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	17,690
Donated Commodities Used	160,940
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivables	2,687
(Increase) Decrease in Materials & Supplies Inventory	6,901
Increase (Decrease) in Accounts Payable	6,889
Increase (Decrease) in Accrued Wages & Benefits	3,229
Increase (Decrease) in Compensated Absences Payable	37,723
Increase (Decrease) in Deferred Revenue	2,925
Net Cash Provided (Used) by Operating Activities	(\$376,308)

See accompanying notes to the general purpose financial statements.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

Huber Heights City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Wayne Township Local School District was formed in 1903 and operated as such until 1981 when the first official body designated as the Huber Heights City School District was formed.

The Huber Heights City School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's ten instructional/support facilities staffed by a full-time staff of 758 employees. There are 470 certificated employees including 22 administrators and 288 classified support staff including 5 administrators, who provide services to 7,410 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements of the School District are not misleading.

The primary government consists of all funds and departments which provide various services including instruction, student guidance, extracurricular activities, food service, preschool, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The District does not have any component units.

The District is associated with three organizations which are defined as jointly governed and one public entity risk pool. These organizations include the Metropolitan Dayton Educational Computer Association (MDECA), the Southwestern Ohio Educational Purchasing Cooperative, the Miami Valley Career Technical Center and the Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Basis of presentation - Fund Accounting (Continued)

Governmental Fund Types

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

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

Special Revenue Fund - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specific 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 other related costs.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Fund Types

The proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs expenses, including depreciation of providing services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 account group is used to account for all general fixed assets of the School District other than those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is used to account for all long-term indebtedness of the School District that is not a specific liability of the proprietary or trust funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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 School 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 more significant of the School District's accounting policies are described below.

Measurement Focus and Basis of Accounting

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earning components. Proprietary funds' operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: tuition, grants and student fees.

The School District reports deferred revenues in 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. In a subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of June 30, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. In the proprietary fund type, unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

Budgets and Budgetary Accounting

The major documents prepared are the tax budget, certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function in the General Fund and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing on 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for rate determination.

Estimated Resources

By April 1, 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 that projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenues collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the current fiscal year.

Appropriations

On or about October 1, the annual appropriation must be legally enacted by the Board of Education at fund, function, object level of expenditures in the General Fund and all other funds at the fund level, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, 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 total at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP Budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled in a central bank account with the exception of the proprietary fund type which is maintained in a separate account. Monies are maintained in these accounts or temporarily used to purchase short term investments. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Investments".

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the balance sheet as "Cash with Fiscal Agents".

Investments are stated at fair value as determined by quoted market prices. For purposes of the combined statement of cash flows, investments with original maturities of three months or less and investments of the cash management pool are considered cash equivalents.

Under existing Ohio statutes, all investment earnings are distributed to the General Fund except those specifically related to certain trust funds.

Restricted Cash

Restricted cash in the general fund represents cash and cash equivalents set aside to establish reserves required by state for budget stabilization, textbooks, and capital maintenance. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. At June 30, 1999 restricted cash equaled \$622,658.

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets and Depreciation

The fixed asset values were initially determined at June 30, 1995 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were determined by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair value on the date donated. The District maintains a capitalization threshold of one thousand dollars. The District does not have any infrastructure.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed assets account group.

Proprietary Fund Fixed Assets

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the assets' estimated useful life. The assets of the enterprise funds are depreciated on the following basis:

Equipment	5-30 years
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Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Vacation benefits are accrued as a liability as the benefits are earned if the employees rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 20 years of current service with the School District and for certified employees and administrators after 20 years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term liabilities and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, and budget set-asides.

Intergovernmental Revenues

Some grants are made based upon formulas. The use of such grant monies is typically restricted more in form than in substance. Accordingly, The GASB's Codification of Governmental Accounting and Financial Reporting Standards states that revenues related to entitlements should be recognized as soon as they are susceptible to accrual (i.e., as soon as they are both measurable and available).

The concept of "availability" applies only to entitlements and shared revenues associated with the current fiscal period. Entitlements or shared revenues associated with the subsequent fiscal year are not recognized as revenue of the current fiscal year, even if they are collected within the predetermined availability period. Entitlements and shared revenues should not be recognized in advance of the period they are intended to finance.

Revenues related to expenditure-driven grants are recognized when the qualifying expenditure is incurred and other related requirements fulfilled, regardless of the timing of collections.

Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Capital (Continued)

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996 the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements overview 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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations, and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Combined Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (Budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

3. BUDGET TO GAAP RECONCILIATION (Continued)

Budgetary Basis of Accounting (Continued)

The adjustments necessary to convert the results of operations for the year ended June 30, 1999 the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
Governmental Fund Types				
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
GAAP Basis	(\$1,386,248)	(\$28,250)	(\$47,641)	\$179,016
Revenue Accruals, net	479,569	(39,991)	4,668	21,648
Expenditure Accruals, net	434,397	89,588	0	299
Encumbrances	<u>(1,457,846)</u>	<u>(158,988)</u>	<u>0</u>	<u>(447,882)</u>
Budget Basis	<u>(\$1,930,122)</u>	<u>(\$137,641)</u>	<u>(\$42,973)</u>	<u>(\$246,919)</u>

4 DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must be maintained either as cash in the School Treasure, in depository accounts payable or withdrawals on demand, including negotiable order or withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consist of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" monies, 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.

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited, 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;

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

4 DEPOSITS AND INVESTMENTS (Continued)

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 Treasurer's investment pool (STAR Ohio).
7. Under limited circumstances, corporate debt interests 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer for the custodian.

Protection of School District cash and investments is provided by Federal Deposit Insurance Corporation, 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.

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

Deposits: At year end, the carrying amount of the School District's deposits was (\$2,486) and the bank balance was \$397,804. Of the bank balance \$190,020 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized as defined by GASB Statement No. 3 because the securities held as collateral by the financial institutions or their trust departments or agencies were in the financial institutions' names. As authorized by state statute, the pledging bank has established an investment and securities pool to collateralize all public deposits.

Investments: ASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are 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 or agent but not in the District's name.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

4. DEPOSITS AND INVESTMENTS (Continued)

	Category	Carrying Value (Fair Value)
Dayton Foundation	2	\$14,724
Repurchase Agreements	3	2,931,319
Money Market	1	1,592,661
U.S. Treasury Notes	1	293,967
Government Agencies	1	1,487,123
Commercial Paper	3	<u>630,445</u>
		<u><u>\$6,950,239</u></u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be re-evaluated every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payments is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Huber Heights City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the current fiscal year taxes were collected are as follows:

	1998 Second Half <u>Collections</u>	1999 First Half <u>Collections</u>
Agricultural/Residential	\$386,154,440	\$391,192,380
Commercial/Industrial	83,655,890	86,381,670
Public Utility Personal	19,961,690	31,004,148
Tangible Personal Property	<u>30,313,942</u>	<u>20,741,790</u>
Total	<u><u>\$520,085,962</u></u>	<u><u>\$529,319,988</u></u>
Tax rate per \$1,000 of Assessed valuation	\$50.50	\$50.50

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

5. PROPERTY TAXES (Continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 1999. Although total property tax collection for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operation. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$416,088 and is recognized as revenue

6. FIXED ASSETS

Changes in general fixed assets during the fiscal year ended June 30, 1999, were as follows:

	<u>Balance 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/99</u>
Land	\$ 2,111,892	\$ -0-	\$ -0-	\$ 2,111,892
Building	23,599,173	-0-	-0-	23,599,173
Equipment	<u>7,503,501</u>	<u>95,349</u>	<u>2,164,315</u>	<u>5,434,535</u>
Totals	<u>\$33,214,566</u>	<u>\$ 95,349</u>	<u>\$ 2,164,315</u>	<u>\$31,145,600</u>

A summary of the Proprietary Fund Fixed Assets at June 30, 1999, follows:

Furniture and Equipment	\$ 694,300
Less Accumulated Depreciation	<u>(495,505)</u>
Net Fixed Assets - Proprietary Fund	<u>\$198,795</u>

7. OTHER EMPLOYEE BENEFITS

1. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit.

2. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. (Great American Life Insurance Company)

3. Early Retirement Incentive

The School District provides an Early Retirement incentive program. Participation was open to all certified employees. For classified employees, participation is limited to clerical and paraprofessional staff.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

7. OTHER EMPLOYEE BENEFITS (Continued)

4. Early Retirement Incentive (Continued)

Certificated employees must retire in the first year in which they become eligible to retire. Notice must be given to the Board of Education no later than April 1, with a retirement date of July 1. The incentive is equal to 50 percent of the employee's accumulated sick leave, not to exceed \$20,000.

Classified employees must retire in the first year in which they become eligible to retire. Notice must be given to the Board of Education no later than April 1, with a retirement date of July 1. The incentive is equal to 50 percent of the employee's accumulated sick leave, not to exceed \$7,500.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Huber Heights City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement System Board. SERS provides basic retirement, benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Oh 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Huber Heights City School District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$748,296, \$665,838, and \$638,166 respectively

The Huber Heights City School 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 System Board. STRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Ohio Rev. Code Chapter 3307. STRS issues a publicly available financial report which includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Board Street, Columbus, Ohio 43215-3771

Plan members are required to contribute 9.3 percent of their annual covered salary and the Huber Heights City School District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$3,066,816, \$2,834,376, and \$2,688,012 respectively.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

9. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$1,752,466 during the fiscal year. In the year ended June 30, 1998, eligible benefit recipients totaled 91,999. For the fiscal ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service 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 6.3 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 members pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$336,733 during the fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$74,554,860 for property. Property has a \$1,000 deductible. Vehicle insurance is covered by Indiana Insurance for General liability insurance is under Indiana Insurance. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. An additional "umbrella" policy has \$10,000,000 per occurrence and \$10,000,000 aggregate limit. The superintendent, treasurer, messengers, athletic director and all principals are bonded.

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The cooperative contracts with Comp Management to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the pool. 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 pool. Each participant pays this rate. Total savings then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Comp Management provides administrative, cost control and actuarial services to the SOEPC.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

10. RISK MANAGEMENT (Continued)

The School District has elected to provide employee medical benefits through United Health Care as part of an insurance purchasing pool through the SOEPC. The employees share the cost of the monthly premium with the board for single and family plans. The board pays 90 percent of the premium.

The School District provides life insurance to employees through Great American Life Insurance.

11. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years the District has entered into lease agreements for copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. These are classified as equipment in the general fixed asset account group. A corresponding liability was recorded in the general long-term debt account group.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999:

<u>Fiscal Year Ending June 30</u>	<u>General Long-Term Debt</u>
2000	133,109
2001	42,645
2002	42,645
2003	42,645
2004	<u>21,322</u>
Total Minimum Lease Payments	\$282,366
Less: Amount Representing Interest	<u>(3,378)</u>
Present Value of Minimum Lease Payments	<u>\$278,988</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

12. LONG-TERM OBLIGATIONS

Long term obligations at June 30, 1999, were as follows:

General Long-Term Obligations

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Accrued Wages/Benefits	\$257,009	0	\$32,061	\$224,948
Capital Lease Payable	189,546	89,442	0	278,988
Compensated Absences	2,390,362	126,663	0	2,517,025
Notes Payable	1,041,616	632,241	0	1,673,857
General Obligation Bonds	<u>155,000</u>	<u>0</u>	<u>75,000</u>	<u>80,000</u>
Totals	<u>\$4,033,533</u>	<u>\$848,346</u>	<u>\$107,061</u>	<u>\$4,774,818</u>

The general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. The energy loan is being repaid from the General Fund.

The capital lease obligation will be repaid from the General Fund. Compensated absences will be paid from the fund from which the person is paid if the funds are available, otherwise, from the General Fund.

The accrued wages and benefits represents the long-term portion of the pension obligations payable to the School Employees Retirement System. This liability will be paid from the General and Enterprise Funds.

Principal and interest requirements to retire the District's long-term obligations outstanding at June 30, 1999, are as follows:

Fiscal Year Ending 6/30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$404,394	\$87,565	\$491,959
2001	248,688	68,258	316,946
2002	253,253	53,600	306,853
2003	188,103	41,054	229,157
2004	181,944	30,600	212,544
2005 & thereafter	<u>397,475</u>	<u>149,444</u>	<u>546,919</u>
Total	<u>\$1,673,857</u>	<u>\$430,521</u>	<u>\$2,104,378</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

13. SEGMENT INFORMATION

The School District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Latchkey. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the District for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$1,356,696	\$173,865	\$124,347	\$1,654,908
Operating Expenses Before Depreciation	2,056,052	108,174	88,284	2,252,510
Depreciation Expense	17,690	0	0	17,690
Operating Income (Loss)	(717,046)	65,691	36,063	(615,292)
Donated Commodities	160,940	0	0	160,940
Operating Grants	480,895	0	0	480,895
Net Income (Loss)	(74,309)	65,691	36,063	27,445
Net Working Capital	(38,289)	88,144	103,979	153,834
Total Assets	381,119	91,190	103,979	576,288
Total Liabilities	220,613	3,046	0	223,659
Total Equity	160,506	88,144	103,979	352,629

14. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Computer Association

The School District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium of area school districts sharing computer resources. MDECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium.

Southwestern Ohio Educational Purchasing Cooperative

The School District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools within geographical boundaries as defined by the SOEPC and to serve as a resource to member districts on matters related to business operations. The SOEPC elects one of its members as Chairperson and another as Vice-Chairperson. An executive committee is comprised of eleven members which include the Chairperson and Vice-Chairperson and a representative from the Fiscal Agent.

Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Miami Valley Career Technical Center

The Miami Valley Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty seven participating school districts. The Board possesses its own budgeting and taxing authority.

15. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust - The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In Fiscal year 1999, The Huber Heights City School District contributed \$2,842,846 which represented 6.96 percent of total contributions to the Trust. Financial information can be obtained from Barbara Cornell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, Ohio 45424.

16. CONTINGENT LIABILITIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures 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 the management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

Litigation

The School District's attorney estimates that any potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

17. UNCERTAINTIES

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$18,835,502 of school foundation support for its general fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

17. UNCERTAINTIES (Continued)

Since The Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the 'thorough and efficient' clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court Declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

18. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts receivables, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state Programs, and the current year guarantee of Federal Funds. A summary of the principal items of receivables follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>
General	\$15,942,960	\$2,163	0
Special Revenue	-0-	-0-	\$5,050
Debt Service	38,702	-0-	-0-
Capital Projects	734,966	-0-	-0-
Enterprise	<u>-0-</u>	<u>593</u>	<u>-0-</u>
Totals	<u>\$16,716,628</u>	<u>\$2,756</u>	<u>\$5,050</u>

19. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, 7/1/1998	-0-	-0-	\$145,939
Required Set-Aside	\$581,133	\$581,133	\$290,567
Offset Credits	-0-	(\$657,710)	-0-
Qualifying Expenditures	<u>(\$394,981)</u>	<u>(\$273,100)</u>	<u>- 0-</u>
Balance 6/30/1999	<u>\$186,152</u>	<u>-0-</u>	<u>\$436,506</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

19. STATUTORY RESERVES (Continued)

Offset Credits and Qualifying Expenditures for capital maintenance reserve exceeded the required set-aside. The total amount to be set-aside is \$622,658.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$155,545	\$0	\$160,940
School Breakfast Program	048751-05-PU-00-98	10.553	10,252	0	10,252	0
	048751-05-PU-00-99		26,142	0	26,142	0
Total School Breakfast Program			36,394	0	36,394	0
National School Lunch Program	048751-03-PU-00-98	10.555	29,644	0	29,644	0
	048751-03-PU-00-99		79,363	0	79,363	0
	048751-04-PU-00-98		76,162	0	76,162	0
	048751-04-PU-00-99		202,953	0	202,953	0
Total National School Lunch Program			388,122	0	388,122	0
Special Milk Program	048751-02-PU-00-98	10.556	344	0	344	0
	048751-02-PU-00-99		941	0	941	0
Total Special Milk Program			1,285	0	1,285	0
Summer Food Service Program	048751-23-ML-98	10.559	13,492	0	13,492	0
	048751-24-AD-98		7,025	0	7,025	0
Total Summer Food Service Program			20,517	0	20,517	0
Total U.S. Department of Agriculture - Nutrition Cluster			446,318	155,545	446,318	160,940
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Miami Valley Career Technology Center:</i>						
Vocational Education_Basic Grants to States	ICP-1098	84.048	0	0	9,588	0
	ICP-1099		9,940	0	9,740	0
Total Vocational Education			9,940	0	19,328	0
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	048751-6B-SF-98-P-99	84.027	49,052	0	66,574	0
	048751-6B-SF-99-P-99		319,171	0	318,054	0
Total Special Education Grants to States			368,223	0	384,628	0
Special Education - Preschool Grant	048751-PG-S1-99-P-99	84.173	39,546	0	30,340	0
Total Special Education Cluster			407,769	0	414,968	0
Eisenhower Grant			0	0	554	0
			0	0	17,391	0
			0	0	4,226	0
	048751-MS-S1-99-99	84.281	23,823	0	10,733	0
Total Eisenhower Grant			23,823	0	32,904	0
Grants to Local Educational Agencies (ESEA Title I)	048751-C1-S1-98-99	84.010	83,069	0	119,433	0
	048751-C1-S1-98-99-C		62,450	0	62,450	0
	048751-C1-S1-99-99		207,634	0	161,536	0
Total ESEA Title I			353,153	0	343,419	0
Immigrant Grant	048751-E1-S1-0-98		0	0	2,938	0
	048751-E1-S1-0-99	84.162	5,025	0	5,025	0
Total Emergency Immigrant Grant			5,025	0	7,963	0
Innovative Educational Program Strategies	048751-C2-S1-98-99	84.298	20,874	0	27,272	0
	048751-C2-S1-98-C-99		630	0	630	0
	048751-C2-S1-99-99		9,136	0	7,050	0
Total Innovative Educational Program Strategies			30,640	0	34,952	0

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education:</i>						
Safe and Drug-Free Schools and Communities	048751-DR-S1-98-99	84.186	21,104	0	26,937	0
	048751-DR-S1-99-99		<u>28,001</u>	<u>0</u>	<u>23,333</u>	<u>0</u>
Total Drug-Free Schools Grant			49,105	0	50,270	0
Bilingual Education Support Services	48751-T7-51-0	84.194	300	0	300	0
Goals 2000 State and Local Educational System	048751-G2-S2-99-99	84.276	20,000	0	143	0
Direct Receipts						
Impact Aid - Maintenance and Operations	45-OH-97-0021		6,347	0	6,347	0
	45-OH-97-0021		0	0	217	0
	45-OH-98-0021		0	0	13,390	0
	45-OH-99-0021	84.041	<u>22,322</u>	<u>0</u>	<u>3,968</u>	<u>0</u>
Total Impact Aid - Maintenance and Operations			28,669	0	23,922	0
Telecommunication	N/A	84.XXX	<u>12,338</u>		<u>12,338</u>	
Total Department of Education			<u>940,762</u>	<u>0</u>	<u>940,507</u>	<u>0</u>
DEPARTMENT OF DEFENSE						
Troops to Teachers Incentive Grant	N/A	N/A	10,492	0	10,492	0
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES						
<i>Passed through State Library of Ohio Board</i>						
Information Highway Library Grant	I-L-9897	45.310	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$1,397,572</u>	<u>155,545</u>	<u>\$1,412,317</u>	<u>160,940</u>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 1999**

NOTE A: SIGNIFICANT ACCOUNT POLICIES

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

NOTE B: NUTRITION CLUSTER

Nonmonetary 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 disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies were expended first. At June 30, 1999, the District had no significant food commodities inventory.

NOTE C: TITLE VIII - IMPACT AID

Cash receipts from the U.S. Department of Education are commingled with State grants. It is assumed that federal monies were expended first.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Huber Heights City School District
Montgomery County
5954 Longford Road
Huber Heights, Ohio 45424

To the Board of Education:

We have audited the financial statements of Huber Heights City School District, Montgomery County, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated March 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the District in a separate letter dated March 13, 2000.

This report is intended for the information and use of the management, the Board, 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

March 13, 2000



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Huber Heights City School District
Montgomery County
5954 Longford Road
Huber Heights, Ohio 45424

To the Board of Education:

Compliance

We have audited the compliance of Huber Heights City School District, Montgomery County, (the 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 its major federal program for the year ended June 30, 1999. The District's major federal program is 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 the 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 the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the 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 the 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.

This report is intended for the information and use of the management, the Board, 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

March 13, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

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 Program CFDA #10.550 School Breakfast Program CFDA #10.553 School Lunch Program CFDA #10.555 Special Milk Program CFDA #10.556 Summer School Service Program CFDA #10.559
(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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HUBER HEIGHTS CITY SCHOOL DISTRICT

MONTGOMERY 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
APRIL 11, 2000**