

**Huber Heights City School District  
Montgomery County, Ohio**

Basic Financial Statements

June 30, 2009

with Independent Auditors' Report





# Mary Taylor, CPA

Auditor of State

Board of Education  
Huber Heights City School District  
5954 Longford Road  
Huber Heights, Ohio 45424

We have reviewed the *Independent Auditors' Report* of the Huber Heights City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Huber Heights City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

January 11, 2010

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## Independent Auditors' Report

Board of Education  
Huber Heights City School District  
5954 Longford Road  
Huber Heights, Ohio 45424

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 December 15, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards 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 also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 15, 2009

# HUBER HEIGHTS CITY SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

*Unaudited*

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The discussion and analysis of Huber Heights City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

## FINANCIAL HIGHLIGHTS

Key financial highlights for 2009 are as follows:

- In total, net assets increased \$87,614,529. This increase resulted in net assets that were three times the amount reported in 2008.
- General revenues accounted for \$65,473,745 in revenue or 41% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$92,481,949 or 59% of total revenues of \$157,955,694.
- The District had \$70,341,165 in expenses related to governmental activities; \$92,481,949 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$65,473,745 were also available to provide for these programs.
- The District's general fund had \$62,005,715 in revenues and \$62,706,523 in expenditures. The general fund's fund balance decreased \$1,447,256 to \$21,679,697.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.



# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009***

***Unaudited***

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## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

*Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009**

**Unaudited**

**Fiduciary Funds** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2009 compared to 2008.

	Governmental Activities		Increase (Decrease)
	2009	2008	
Current and other assets	\$229,594,467	\$57,866,295	\$171,728,172
Capital assets, Net	21,502,943	18,735,776	2,767,167
Total assets	251,097,410	76,602,071	174,495,339
Long-term debt outstanding	2,476,455	2,614,331	(137,876)
Other liabilities	120,155,371	33,136,685	87,018,686
Total liabilities	122,631,826	35,751,016	86,880,810
Net assets			
Invested in capital assets, net of related debt	18,390,965	18,017,509	373,456
Restricted	88,009,483	963,226	87,046,257
Unrestricted	22,065,136	21,870,320	194,816
Total net assets	\$128,465,584	\$40,851,055	\$87,614,529

The issuance of \$82 million of bond anticipation notes as well as the recognition of grant monies from the Ohio School Facilities Commission for the construction of school facilities resulted in a substantial increase in current assets and liabilities. The passage of a 6.92 mill property tax levy dedicated to the retirement of the school facility construction bonds resulted in a 15% increase in property taxes receivable.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2009 compared to 2008:

	Governmental Activities		Increase (Decrease)
	2009	2008	
<b>Revenues</b>			
Program revenues:			
Charges for Services and Sales	\$3,033,773	\$2,833,502	\$200,271
Operating Grants and Contributions	4,611,131	4,000,415	610,716
Capital Grants and Contributions	84,837,045	43,649	84,793,396
Total Program revenues	92,481,949	6,877,566	85,604,383
General revenues:			
Property Taxes	30,575,633	30,798,036	(222,403)
Intergovernmental, Unrestricted	33,617,650	31,779,840	1,837,810
Other	1,280,462	1,418,853	(138,391)
Total General revenues	65,473,745	63,996,729	1,477,016
Total revenues	157,955,694	70,874,295	87,081,399
<b>Program Expenses</b>			
Instruction	43,537,175	43,606,831	(69,656)
Support Services:			
Pupils	2,679,664	2,747,265	(67,601)
Instructional Staff	4,503,740	4,143,453	360,287
Board of Education	29,076	31,972	(2,896)
Administration	4,272,489	3,844,118	428,371
Fiscal Services	1,117,427	803,668	313,759
Business	593,969	478,568	115,401
Operation and Maintenance of Plant	5,064,104	4,958,812	105,292
Pupil Transportation	3,238,684	3,181,526	57,158
Central	594,798	428,194	166,604
Operation of Non-Instructional:			
Food Service Operations	2,372,993	2,319,863	53,130
Community Services	652,434	625,170	27,264
Extracurricular Activities	1,020,644	949,106	71,538
Debt Service:			
Interest and Fiscal Charges	663,968	37,088	626,880
Total expenses	70,341,165	68,155,634	2,185,531
Total Change in Net Assets	87,614,529	2,718,661	84,895,868
Beginning Net Assets	40,851,055	38,132,394	2,718,661
Ending Net Assets	\$128,465,584	\$40,851,055	\$87,614,529

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009**

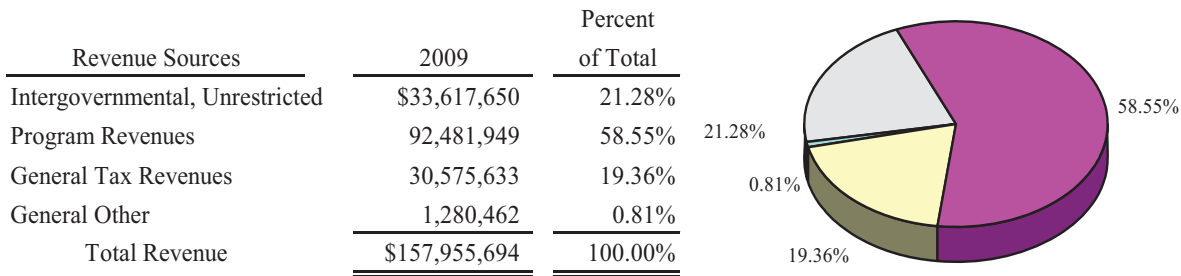
**Unaudited**

### **Governmental Activities**

Net assets of the District's governmental activities increased \$87,614,529. Ohio School Facilities Commission grants resulted in the increase in capital grants and contributions. An increase in tuition received from other District's resulted in the increase in charges for services. Unrestricted intergovernmental revenues increased due to increases in state foundation monies and homestead and rollback receipts. Overall, expenditures remained stable, increasing approximately 3%.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 19% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2009. The District's reliance upon tax revenues is demonstrated by the following graph:



### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$27,467,176, which is above last year's total of \$23,778,993. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Restated Fund Balance June 30, 2008	Increase (Decrease)
General	\$21,679,697	\$23,126,953	(\$1,447,256)
Ohio School Facilities	2,062,695	0	2,062,695
Other Governmental	3,724,784	652,040	3,072,744
Total	\$27,467,176	\$23,778,993	\$3,688,183

The substantial increase in the District's Other Governmental Funds can be attributed to collection of the debt service property tax levy passed in 2008. The Ohio School Facilities fund reported capital grants and capital outlays related to new school facilities construction.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009**

**Unaudited**

*General Fund* – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2009	Restated 2008	Increase (Decrease)
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$26,821,310	\$29,883,392	(\$3,062,082)
Tuition	487,549	328,557	158,992
Transportation Fees	0	48,060	(48,060)
Investment Earnings	467,026	1,054,168	(587,142)
Extracurricular Activities	156,782	145,097	11,685
Class Materials and Fees	253,295	253,629	(334)
Intermediate Sources	168,916	0	168,916
Intergovernmental - State	33,146,673	31,761,217	1,385,456
Intergovernmental - Federal	126,285	124,772	1,513
All Other Revenue	377,879	360,500	17,379
<b>Total</b>	<b><u><u>\$62,005,715</u></u></b>	<b><u><u>\$63,959,392</u></u></b>	<b><u><u>(\$1,953,677)</u></u></b>

General Fund revenues in 2009 decreased approximately 3% compared to revenues in fiscal year 2008. A phase out of the personal property tax resulted in the decrease in taxes. Lower interest rates resulted in the decrease in investment earnings while increases in intergovernmental revenue can be attributed to State foundation monies and homestead and rollback reimbursements.

	2009	Restated 2008	Increase (Decrease)
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Instruction	\$41,557,531	\$41,345,944	\$211,587
Supporting Services:			
Pupils	2,564,213	2,539,528	24,685
Instructional Staff	3,580,289	2,859,098	721,191
Board of Education	29,076	31,972	(2,896)
Administration	4,154,948	3,758,164	396,784
Fiscal Services	1,048,438	814,704	233,734
Business	595,586	475,971	119,615
Operation & Maintenance of Plant	5,035,840	4,949,935	85,905
Pupil Transportation	2,966,083	2,833,624	132,459
Central	550,993	376,673	174,320
Extracurricular Activities	548,855	531,969	16,886
Debt Service			
Principal Retirement	30,365	124,915	(94,550)
Interest and Fiscal Charges	44,306	14,037	30,269
<b>Total</b>	<b><u><u>\$62,706,523</u></u></b>	<b><u><u>\$60,656,534</u></u></b>	<b><u><u>\$2,049,989</u></u></b>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009***

***Unaudited***

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Expenditures increased \$2,049,989 or approximately 3% compared to the prior year. The increase in staff can be attributed in part to increased costs for aides while increases in salaries and benefits resulted in the increase in administration.

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

During the course of fiscal year 2009 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue estimates were 3% less than original budget amounts. Actual budget basis revenue of \$62 million was not significantly different from final budget estimates. Actual tax receipts were less than budgeted amounts, while state grant monies were higher than estimated. Actual budget basis expenditures were 4% less than final budget estimates due mostly to decreases in expenditures for instruction and operation and maintenance of plant. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2009 the District had \$21,502,943 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2009 and 2008 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2009</u>	<u>2008</u>	
Land	\$978,013	\$978,013	\$0
Construction in Progress	2,514,354	0	2,514,354
Land Improvements	2,045,658	1,213,802	831,856
Buildings and Improvements	26,208,027	26,120,040	87,987
Machinery and Equipment	4,018,568	3,906,307	112,261
Vehicles	3,319,012	3,390,000	(70,988)
Less: Accumulated Depreciation	<u>(17,580,689)</u>	<u>(16,872,386)</u>	<u>(708,303)</u>
Totals	<u>\$21,502,943</u>	<u>\$18,735,776</u>	<u>\$2,767,167</u>

The increase in land improvements was the result of sidewalk and curb repairs while construction in progress consisted of new school facility construction.

Additional information on the District's capital assets can be found in Note 8.

# HUBER HEIGHTS CITY SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

*Unaudited*

## **Debt**

At June 30, 2009, the District had \$2.5 million in notes, leases and compensated absences outstanding, \$578,251 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Governmental Activities:		
Energy Conservation Notes:		
School Improvement	\$182,190	\$212,555
Capital Leases Payable	415,434	505,712
Compensated Absences	<u>1,878,831</u>	<u>1,896,064</u>
Totals	<u>\$2,476,455</u>	<u>\$2,614,331</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2009, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

## **ECONOMIC FACTORS**

The District is strong financially, but will face budget challenges in the upcoming years. With the possible reduction in State funding, the District may accelerate the need to place an operating levy on the ballot.

On a different note, the District is moving forward with the construction of 7 new school buildings. Building renderings have been developed for the five new elementary, one new middle and one new high school buildings. Ground breaking for the five elementary buildings will be in the spring of 2010 and fall of 2010 for the middle and high school buildings. The total cost of the project has been budgeted at \$166 million and will take place over the next several years. We believe this will build the economy of the City of Huber Heights.

The Huber Heights City School District receives approximately 57% of its funding from the State and the remaining 43% from local sources.

In conclusion, the Huber Heights City School District continues to commit itself to financial excellence for many years.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Ann Bernardo, Treasurer for the Huber Heights City School District.

***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Statement of Net Assets*** ***June 30, 2009***

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 24,667,837
Investments	90,559,224
Receivables:	
Taxes	31,480,395
Intergovernmental	80,796,842
Inventory of Supplies at Cost	518,236
Restricted Assets:	
Cash and Cash Equivalents	1,536,875
Cash with Fiscal Agent	35,058
Non-Depreciable Capital Assets	3,492,367
Depreciable Capital Assets, Net	18,010,576
<b>Total Assets</b>	<b>251,097,410</b>
<b>Liabilities:</b>	
Accounts Payable	658,050
Accrued Wages and Benefits	5,871,131
Intergovernmental Payable	1,667,844
Unearned Revenue - Taxes	28,747,052
Accrued Interest Payable	711,294
General Obligation Notes Payable	82,500,000
Long Term Liabilities:	
Due Within One Year	578,251
Due in More Than One Year	1,898,204
<b>Total Liabilities</b>	<b>122,631,826</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	18,390,965
Restricted For:	
Capital Projects	83,028,422
Debt Service	3,233,601
Other Purposes	1,747,460
Unrestricted	22,065,136
<b>Total Net Assets</b>	<b>\$ 128,465,584</b>
See accompanying notes to the basic financial statements	

## HUBER HEIGHTS CITY SCHOOL DISTRICT

### Statement of Activities For the Fiscal Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 43,537,175	\$ 905,278	\$ 1,834,284	\$ 84,747,199	\$ 43,949,586
Support Services:					
Pupils	2,679,664	0	166,639	0	(2,513,025)
Instructional Staff	4,503,740	0	973,975	0	(3,529,765)
Board of Education	29,076	0	0	0	(29,076)
Administration	4,272,489	0	32,184	0	(4,240,305)
Fiscal Services	1,117,427	0	0	0	(1,117,427)
Business	593,969	0	0	0	(593,969)
Operation and Maintenance of Plant	5,064,104	0	109,352	0	(4,954,752)
Pupil Transportation	3,238,684	0	0	89,846	(3,148,838)
Central	594,798	0	48,538	0	(546,260)
Operation of Non-Instructional:					
Food Service Operations	2,372,993	1,226,357	981,969	0	(164,667)
Community Services	652,434	0	464,190	0	(188,244)
Extracurricular Activities	1,020,644	902,138	0	0	(118,506)
Interest and Fiscal Charges	663,968	0	0	0	(663,968)
<b>Total Governmental Activities</b>	<b>\$ 70,341,165</b>	<b>\$ 3,033,773</b>	<b>\$ 4,611,131</b>	<b>\$ 84,837,045</b>	<b>22,140,784</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					26,857,673
Debt Service					2,747,377
Capital Outlay					970,583
Intergovernmental, Unrestricted					33,617,650
Investment Earnings					899,140
Miscellaneous					381,322
Total General Revenues					65,473,745
Change in Net Assets					87,614,529
Net Assets Beginning of Year					40,851,055
Net Assets End of Year					<b>\$ 128,465,584</b>

See accompanying notes to the basic financial statements

## HUBER HEIGHTS CITY SCHOOL DISTRICT

### *Balance Sheet Governmental Funds June 30, 2009*

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 17,160,570	\$ 2,523,231	\$ 4,984,036	\$ 24,667,837
Investments	8,124,277	78,814,004	3,620,943	90,559,224
Receivables:				
Taxes	25,830,876	0	5,649,519	31,480,395
Intergovernmental	0	79,917,443	879,399	80,796,842
Interfund Loans Receivable	836,023	0	0	836,023
Inventory of Supplies at Cost	502,344	0	15,892	518,236
Restricted Assets:				
Cash and Cash Equivalents	1,536,875	0	0	1,536,875
Cash with Fiscal Agent	0	0	35,058	35,058
<b>Total Assets</b>	<b>\$ 53,990,965</b>	<b>\$ 161,254,678</b>	<b>\$ 15,184,847</b>	<b>\$ 230,430,490</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 244,043	\$ 371,867	\$ 42,140	\$ 658,050
Accrued Wages and Benefits	5,437,270	0	433,861	5,871,131
Intergovernmental Payable	1,550,719	0	117,125	1,667,844
Interfund Loans Payable	0	0	836,023	836,023
Deferred Revenue - Taxes	24,400,894	0	5,348,896	29,749,790
Deferred Revenue	0	79,917,443	879,399	80,796,842
Accrued Interest Payable	1,830	674,489	30,803	707,122
General Obligation Notes Payable	500,000	78,228,184	3,771,816	82,500,000
Compensated Absences Payable	176,512	0	0	176,512
<b>Total Liabilities</b>	<b>32,311,268</b>	<b>159,191,983</b>	<b>11,460,063</b>	<b>202,963,314</b>
<b>Fund Balance:</b>				
Reserved for Encumbrances	633,065	1,380,716	285,412	2,299,193
Reserved for Supplies Inventory	502,344	0	15,892	518,236
Reserved for Property Taxes	1,429,982	0	300,623	1,730,605
Reserved for Textbooks	807,462	0	0	807,462
Reserved for Capital Acquisition	729,413	0	0	729,413
Reserved for Matured Bonds and Interest Payable	0	0	21,405	21,405
Reserved for Restricted Donations	0	0	13,653	13,653
Unreserved, Undesignated in:				
General Fund	17,577,431	0	0	17,577,431
Special Revenue Funds (Deficit)	0	0	(569,779)	(569,779)
Capital Projects Funds	0	681,979	825,310	1,507,289
Debt Service Funds	0	0	2,832,268	2,832,268
<b>Total Fund Balance</b>	<b>21,679,697</b>	<b>2,062,695</b>	<b>3,724,784</b>	<b>27,467,176</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 53,990,965</b>	<b>\$ 161,254,678</b>	<b>\$ 15,184,847</b>	<b>\$ 230,430,490</b>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2009***

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**Total Governmental Fund Balances** \$ 27,467,176

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 21,502,943

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 81,799,580

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the funds.

Energy Conservation Notes Payable	(182,190)	
Capital Leases Payable	(415,434)	
Compensated Absences Payable	(1,702,319)	
Interest Payable	(4,172)	
	<u>(2,304,115)</u>	<u>(2,304,115)</u>

**Net Assets of Governmental Activities** \$ 128,465,584

See accompanying notes to the basic financial statements

## HUBER HEIGHTS CITY SCHOOL DISTRICT

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2009

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 26,821,310	\$ 0	\$ 3,578,875	\$ 30,400,185
Tuition	487,549	0	2,490	490,039
Investment Earnings	467,026	421,782	10,332	899,140
Food Services	0	0	1,226,357	1,226,357
Extracurricular Activities	156,782	0	745,356	902,138
Class Materials and Fees	253,295	0	161,944	415,239
Intermediate Sources	168,916	0	0	168,916
Intergovernmental - State	33,146,673	4,829,756	1,224,898	39,201,327
Intergovernmental - Federal	126,285	0	2,900,651	3,026,936
All Other Revenue	377,879	0	3,558	381,437
<b>Total Revenue</b>	<b>62,005,715</b>	<b>5,251,538</b>	<b>9,854,461</b>	<b>77,111,714</b>
<b>Expenditures:</b>				
Current:				
Instruction	41,557,531	0	1,480,118	43,037,649
Supporting Services:				
Pupils	2,564,213	0	162,594	2,726,807
Instructional Staff	3,580,289	0	926,696	4,506,985
Board of Education	29,076	0	0	29,076
Administration	4,154,948	0	29,743	4,184,691
Fiscal Services	1,048,438	0	51,179	1,099,617
Business	595,586	0	0	595,586
Operation and Maintenance of Plant	5,035,840	0	0	5,035,840
Pupil Transportation	2,966,083	0	528	2,966,611
Central	550,993	0	48,511	599,504
Operation of Non-Instructional:				
Food Service Operations	0	0	2,355,109	2,355,109
Community Services	0	0	650,462	650,462
Extracurricular Activities	548,855	0	467,792	1,016,647
Capital Outlay	0	2,514,354	1,296,618	3,810,972
Debt Service:				
Principal Retirement	30,365	0	240,424	270,789
Interest & Fiscal Charges	44,306	674,489	54,444	773,239
<b>Total Expenditures</b>	<b>62,706,523</b>	<b>3,188,843</b>	<b>7,764,218</b>	<b>73,659,584</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(700,808)	2,062,695	2,090,243	3,452,130

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources - Capital Lease	0	0	150,146	150,146
Premium on Sale of Notes	0	0	108,575	108,575
Transfers In	0	0	731,000	731,000
Transfers Out	(731,000)	0	0	(731,000)
Refund of Prior Year Receipts	0	0	(115)	(115)
<b>Total Other Financing Sources (Uses)</b>	<b>(731,000)</b>	<b>0</b>	<b>989,606</b>	<b>258,606</b>
Net Change in Fund Balance	(1,431,808)	2,062,695	3,079,849	3,710,736
<b>Fund Balance at Beginning of Year - Restated</b>	<b>23,126,953</b>	<b>0</b>	<b>652,040</b>	<b>23,778,993</b>
Decrease in Inventory Reserve	(15,448)	0	(7,105)	(22,553)
<b>Fund Balance End of Year</b>	<b>\$ 21,679,697</b>	<b>\$ 2,062,695</b>	<b>\$ 3,724,784</b>	<b>\$ 27,467,176</b>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended June 30, 2009***

Net Change in Fund Balances - Total Governmental Funds \$ 3,710,736

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period 2,794,396

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (27,229)

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

Change in Deferred Revenues	80,844,095	
Change in Inventory	<u>(22,553)</u>	80,821,542

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of long term note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Energy Conservation Note Principal Payment	30,365	
Capital Lease Principal Payment	240,424	
New Capital Lease	<u>(150,146)</u>	120,643

In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, an interest expenditure is reported when due. 696

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 193,745

**Change in Net Assets of Governmental Activities \$ 87,614,529**

See accompanying notes to the basic financial statements

***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For The Fiscal Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 31,457,414	\$ 30,389,526	\$ 27,109,565	\$ (3,279,961)
Tuition	332,707	321,413	487,549	166,136
Transportation Fees	36,749	35,501	0	(35,501)
Investment Earnings	511,940	494,561	200,924	(293,637)
Extracurricular Activities	167,819	162,122	156,782	(5,340)
Class Material and Fees	304,913	294,562	253,295	(41,267)
Intermediate Sources	0	0	168,916	168,916
Intergovernmental - State	31,351,656	30,287,358	33,146,673	2,859,315
Intergovernmental - Federal	138,207	133,515	126,285	(7,230)
All Other Revenues	164,945	159,346	377,879	218,533
Total Revenues	64,466,350	62,277,904	62,027,868	(250,036)
<b>Expenditures:</b>				
Current:				
Instruction	43,649,612	43,366,436	42,209,627	1,156,809
Support Services:				
Pupils	2,572,539	2,603,539	2,586,128	17,411
Instructional Staff	3,229,679	3,763,839	3,549,123	214,716
Board of Education	24,025	29,100	29,078	22
Administration	4,314,122	4,347,122	4,138,398	208,724
Fiscal Services	998,303	1,266,391	1,045,482	220,909
Business	646,060	692,080	626,501	65,579
Operation and Maintenance of Plant	5,947,994	6,000,994	5,279,339	721,655
Pupil Transportation	2,918,537	3,319,891	3,255,575	64,316
Central	583,190	594,190	555,416	38,774
Extracurricular Activities	494,500	563,111	551,347	11,764
Debt Service:				
Principal Retirement	280,000	572,610	761,365	(188,755)
Interest and Fiscal Charges	51,900	231,900	43,146	188,754
Total Expenditures	65,710,461	67,351,203	64,630,525	2,720,678
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,244,111)	(5,073,299)	(2,602,657)	2,470,642

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Note Issuance	0	0	500,670	500,670
Advances In	710,435	710,435	1,078,915	368,480
Advances Out	(69,987)	(1,487,023)	(1,503,718)	(16,695)
Total Other Financing Sources (Uses):	<u>640,448</u>	<u>(776,588)</u>	<u>75,867</u>	<u>852,455</u>
Net Change in Fund Balance	(603,663)	(5,849,887)	(2,526,790)	3,323,097
Fund Balance at Beginning of Year - Restated	26,113,870	26,113,870	26,113,870	0
Prior Year Encumbrances	1,205,626	1,205,626	1,205,626	0
Fund Balance at End of Year	<u>\$ 26,715,833</u>	<u>\$ 21,469,609</u>	<u>\$ 24,792,706</u>	<u>\$ 3,323,097</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Statement of Net Assets***  
***Fiduciary Funds***  
***June 30, 2009***

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	Private Purpose Trust	
	Special Trust Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 8,962	\$ 86,812
<b>Total Assets</b>	<u>8,962</u>	<u>86,812</u>
<b>Liabilities:</b>		
Due to Students	0	86,812
<b>Total Liabilities</b>	<u>0</u>	<u>86,812</u>
<b>Net Assets:</b>		
Unrestricted	8,962	0
<b>Total Net Assets</b>	<u>\$ 8,962</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2009***

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	Private Purpose Trust
	<u>Special Trust Fund</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 4,518
Total Additions	<u>4,518</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>6,181</u>
Total Deductions	<u>6,181</u>
Change in Net Assets	(1,663)
Net Assets at Beginning of Year	<u>10,625</u>
Net Assets End of Year	<u><u>\$ 8,962</u></u>

See accompanying notes to the basic financial statements

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

Huber Heights City School District, Ohio (the 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 District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 332 non-certified and approximately 491 certified teaching personnel and administrative employees providing education to 6,546 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with five 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 Council, the Miami Valley Career Technical Center, Southwestern Ohio Instructional Technology Association, the Educational Regional Service System, and the Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

#### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental and fiduciary.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting** (Continued)

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

**Ohio School Facilities Fund** - This fund accounts for state grant monies and debt proceeds to be used for the construction of new school facilities.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The District's agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

##### **C. Basis of Presentation - Financial Statements**

**Government-wide Financial Statements** - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Basis of Presentation – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes, tuition, grants, student fees, and interest on investments.

Current property taxes measurable at June 30, 2009 which are not intended to finance fiscal 2009 operations have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2009 are reflected as a reservation of fund balance for future appropriations. 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.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting (Continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the 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.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the function level in the General Fund and fund level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

##### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

##### **2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County 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 the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2009.



# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process (Continued)**

##### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the function level in the General Fund and fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### **4. Lapsing of Appropriations**

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

##### **5. Budgetary Basis of Accounting**

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process** (Continued)

##### **5. Budgetary Basis of Accounting** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis (as reported)	(\$1,431,808)
Increase (Decrease):	
Accrued Revenues at June 30, 2009, received during FY 2010	(2,797,104)
Accrued Revenues at June 30, 2008, received during FY 2009	2,604,454
Accrued Expenditures at June 30, 2009, paid during FY 2010	7,910,374
Accrued Expenditures at June 30, 2008, paid during FY 2009	(7,936,009)
Encumbrances Outstanding	<u>(876,697)</u>
Budget Basis	<u><u>(\$2,526,790)</u></u>

##### **F. Cash and Cash Equivalents**

During fiscal year 2009 cash and cash equivalents included amounts in demand deposits, money market accounts, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 3, "Cash, Cash Equivalents and Investments."

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **G. Investments** (Continued)

The District has invested funds in the STAR Ohio during 2009. 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, 2009. See Note 3, "Cash, Cash Equivalents and Investments."

#### **H. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. 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 funds when purchased.

#### **I. Capital Assets and Depreciation**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net assets but are not reported in the fund financial statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Historical costs for governmental activities capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009**

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

**I. Capital Assets and Depreciation (Continued)**

**2. Depreciation**

All capital assets are depreciated excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives (in years)
Land Improvements	20
Buildings and Improvements	25 – 100
Machinery and Equipment	5 - 20
Vehicles	10

**J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Energy Conservation Notes	General Fund
Capital Leases Payable	Permanent Improvement Fund
Compensated Absences	General Fund, Food Services Fund, and Latchkey Fund

**K. Compensated Absences**

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. 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 employee’s 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.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **K. Compensated Absences (Continued)**

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund financial statements. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

#### **L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2009 there were no net assets restricted by enabling legislation.

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

#### **M. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

#### **N. Interfund Activity**

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

#### **O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook and instructional materials reserve as well as a reserve for capital acquisition. Cash with fiscal agent represents cash and cash equivalents restricted in use for the retirement of matured bonds and interest payable as well as for the purchase of bricks for a memorial courtyard. Fund balance reserves have been established for these amounts.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for property taxes, supplies inventory, textbook and instructional materials, capital acquisition, restricted donations and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute. The reserve for textbook and instructional materials and capital acquisition is required by State statute.

#### **Q. Estimates**

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

#### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2009.

### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* - The fund deficits at June 30, 2009 of \$521,838 in the Food Service Fund, \$51,246 in the Latchkey Fund, \$91 in the Management Information System Fund, \$8,382 in the Entry Year Program Fund, \$480 in the Poverty Based Assistance Fund, \$37,539 in the Miscellaneous State Grant Fund, \$16,415 in the Immigrant Grant Fund, \$10,796 in the Preschool Grant Fund, \$158,215 in the Title VI-B Fund, \$6,636 in the Title VI Fund, \$165,166 in the Chapter I Fund, \$90,918 in the Class Size Reduction Fund, and \$75,986 in the Ohio School Facilities Locally Funded Initiative Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting.

## ***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

- 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;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009**

#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$23,316,462 and the bank balance was \$23,503,555. Federal depository insurance covered \$750,000 of the bank balance and \$22,753,555 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$22,753,555
Total Balance	\$22,753,555

##### **B. Investments**

The District's investments at June 30, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
STAR Ohio	\$3,019,082	AAAm <sup>1</sup>	\$3,019,082	\$0
US Treasury Notes/Bills	330,574	N/A	330,574	0
FFCB	139,852	AAA <sup>1,2</sup>	139,852	0
FNMA	1,684,750	AAA <sup>1,2</sup>	847,421	837,329
FHLB	51,521,398	AAA <sup>1,2</sup>	41,509,369	10,012,029
FHLMC	36,739,689	AAA <sup>1,2</sup>	10,190,050	26,549,639
First American Government Mutual Fund	142,961	AAA <sup>1,2</sup>	142,961	0
Total Investments	\$93,578,306		\$56,179,309	\$37,398,997



**HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments** (Continued)

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 3.2% are STAR Ohio, 0.4% are United States Treasury Notes, 0.1% are FFCB, 1.8% are FNMA, 55.0% are FHLB, 39.3% are FHLMC and 0.2% are First American Government Mutual Funds.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$26,335,544	\$90,559,224
Investments:		
STAR Ohio	(3,019,082)	3,019,082
Per GASB Statement No. 3	\$23,316,462	\$93,578,306

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$467,026, which includes \$106,909 assigned from other District funds.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2009 were levied after April 1, 2008 on assessed values as of January 1, 2008, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2002, and equalization adjustments were made in 2005. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or 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 is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Huber Heights City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2009 receipts were based are:

	2008 Second Half Collections	2009 First Half Collections
Agricultural/Residential and Other Real Estate	\$719,791,110	\$734,626,880
Public Utility Personal	10,083,220	10,252,550
Tangible Personal Property	17,978,587	1,746,030
Total Assessed Value	<u>\$747,852,917</u>	<u>\$746,625,460</u>
Tax rate per \$1,000 of assessed valuation	\$63.02	\$69.25

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009**

#### **NOTE 5 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes and intergovernmental receivables. 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 intergovernmental receivables follows:

Fund	Amount
Title I Fund	\$737,711
Title V Fund	7,026
Improving Teacher Quality Fund	134,662
Ohio School Facilities Commission Fund	79,917,443
	\$80,796,842

#### **NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2009:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$836,023	\$0
Other Governmental Funds	0	836,023
Totals	\$836,023	\$836,023

These Interfund Loans are short-term loans to prevent a temporary cash deficit.

#### **NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds for the fiscal year 2009:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$731,000
Other Governmental Funds	731,000	0
Total All Funds	\$731,000	\$731,000

Transfers in fiscal 2009 were to reclassify note retirement from the General Fund to the Permanent Improvement Fund.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009**

**NOTE 8 - CAPITAL ASSETS**

**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2009:

***Historical Cost:***

<u>Class</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$978,013	\$0	\$0	\$978,013
Construction in Progress	0	2,514,354	0	2,514,354
	<u>978,013</u>	<u>2,514,354</u>	<u>0</u>	<u>3,492,367</u>
<b><i>Capital assets being depreciated:</i></b>				
Land Improvements	1,213,802	831,856	0	2,045,658
Buildings and Improvements	26,120,040	87,987	0	26,208,027
Machinery and Equipment	3,906,307	112,261	0	4,018,568
Vehicles	3,390,000	201,303	(272,291)	3,319,012
Total Cost	<u>\$35,608,162</u>	<u>\$3,747,761</u>	<u>(\$272,291)</u>	<u>\$39,083,632</u>
<b><i>Accumulated Depreciation:</i></b>				
<u>Class</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Land Improvements	(\$926,867)	(\$52,252)	\$0	(\$979,119)
Buildings and Improvements	(11,543,783)	(525,401)	0	(12,069,184)
Machinery and Equipment	(2,761,260)	(107,586)	0	(2,868,846)
Vehicles	(1,640,476)	(268,126)	245,062	(1,663,540)
Total Depreciation	<u>(\$16,872,386)</u>	<u>(\$953,365) *</u>	<u>\$245,062</u>	<u>(\$17,580,689)</u>
<b><i>Net Value:</i></b>	<u>\$18,735,776</u>			<u>\$21,502,943</u>

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$566,062
Support Services:	
Administration	76,136
Fiscal Services	770
Business	1,080
Operations & Maintenance of Plant	47,578
Pupil Transportation	248,666
Non-Instructional Services	
Food Service Operations	9,076
Extracurricular Activities	3,997
Total Depreciation Expense	<u>\$953,365</u>

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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### **NOTE 9 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

#### **A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. 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. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$808,805, \$757,255 and \$774,789 respectively, which were equal to the required contributions for each year.

#### **B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System** (Continued)

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$4,031,051, \$3,770,097, and \$3,657,375 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2009 were \$47,117 made by the District and \$86,599 made by the plan members.

##### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

## ***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$507,386, \$476,891, and \$383,538 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$66,733, \$54,562, and \$52,686 respectively; which were equal to the required contributions for each year.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

#### **NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$310,081, \$290,007, and \$281,337 respectively; which were equal to the required contributions for each year.

#### **NOTE 11 - NOTES PAYABLE**

Notes Payable activity of the District for the year ended June 30, 2009, was as follows:

Note Payable		Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
School Improvement	4.25%	\$0	\$500,000	\$0	\$500,000
School Improvement	5.00%	0	731,000	(731,000)	0
School Improvement	2.00%	0	67,750,000	0	67,750,000
School Improvement	2.00%	0	14,250,000	0	14,250,000
		<u>\$0</u>	<u>\$83,231,000</u>	<u>(\$731,000)</u>	<u>\$82,500,000</u>

These notes were issued in anticipation of the issuance of general obligation bonds for the purpose of school building improvements.



## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009**

#### **NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the notes, capital leases, and compensated absences of the District for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009	Amount Due Within One Year
<b>Governmental Activities:</b>					
Energy Conservation Note:					
School Improvement - 4.58%    2005	\$212,555	\$0	(\$30,365)	\$182,190	\$30,365
Capital Leases Payable	505,712	150,146	(240,424)	415,434	172,382
Compensated Absences	1,896,064	220,582	(237,815)	1,878,831	375,504
Total Long Term Debt and Other Obligations	<u>\$2,614,331</u>	<u>\$370,728</u>	<u>(\$508,604)</u>	<u>\$2,476,455</u>	<u>\$578,251</u>

The original amounts of the long term notes payable of \$303,650 were used to finance the cost of acquiring and installing energy conservation measures.

#### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2009 follows:

Years	Energy Conservation Notes		
	Principal	Interest	Total
2010	\$30,365	\$8,344	\$38,709
2011	30,365	6,954	37,319
2012	30,365	5,563	35,928
2013	30,365	4,172	34,537
2014	30,365	2,781	33,146
2015	30,365	1,391	31,756
Totals	<u>\$182,190</u>	<u>\$29,205</u>	<u>\$211,395</u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 13 - CAPITALIZED LEASE**

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$1,578,760.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2009:

Year Ending June 30,	Capital Lease
2010	\$189,203
2011	149,888
2012	106,092
Minimum Lease Payments	445,183
Less: Amount representing interest at the District's incremental borrowing rate of interest	(29,749)
Present Value of minimum lease payments	\$415,434

**NOTE 14 – 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, 2009, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2008	\$1,075,924	\$0	\$1,075,924
Current Year Set-Aside Requirement	999,337	999,337	1,998,674
Qualifying Disbursements	(1,267,799)	(269,924)	(1,537,723)
Total	\$807,462	\$729,413	\$1,536,875
Cash Balance Carried Forward to FY 2010	\$807,462	\$729,413	\$1,536,875
Amount Restricted for Textbooks			\$1,536,875

Amounts not spent by year end must be held in cash and carried forward to be used for the same purpose in future years.

## ***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 15 - RISK MANAGEMENT**

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 contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$102,061,149 for property. Property has a \$500 deductible. Both Vehicle and 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.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The council 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 District by virtue of its grouping and representation with other participants in the pool. The workers compensation experience of the participation 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 is then calculated and each participants 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.

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

#### **NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

*Metropolitan Dayton Educational Computer Association* – The District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. 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.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)**

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$216,519 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

*Southwestern Ohio Educational Purchasing Council* – The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from various funds. During fiscal year 2009, the District paid \$488,169 to SOEPC. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

*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.

*Southwestern Ohio Instructional Technology Association (SOITA)* - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members of those counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2009, the School District paid \$3,369 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)**

*Educational Regional Service System Region 10* - The School District participates in the Educational Regional Service System (ERSS) Region 10, a jointly governed organization consisting of educational entities within Clark, Darke, Greene, Miami, Montgomery, and Preble counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio, 45402.

#### **NOTE 17 – INSURANCE PURCHASING POOL**

*Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan* – 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 2009, the District contributed \$7,460,938, which represented 7.29 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 18 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state 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 adverse effect on the overall financial position of the District at June 30, 2009.

##### **B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2009.

#### **NOTE 19 – RESTATEMENT OF FUND BALANCE**

Certain adjustments were necessary to account for the reclassification of the uniform school supplies fund. As a result of the restatement, the general fund beginning balance decreased \$152,860 to \$23,126,953 and the other governmental funds beginning balance increased \$152,860 to a balance of \$652,040.

This reclassification also affected the beginning balances reported in the Budget and Actual Statement.

#### **NOTE 20 – SUBSEQUENT EVENT**

On August 12, 2009 the District issued \$82 million in General Obligation Bonds to refinance the short term bond anticipation notes outstanding at June 30, 2009.

#### **NOTE 21 – CONTRACT COMMITMENTS**

At June 30, 2009 the District had a contractual commitment with Fanning/Howey Associates in the amount of \$6,833,771.

**Huber Heights City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	80,539	80,539
Cash Assistance				
National School Breakfast Program	05-PU	10.553	113,370	113,370
National School Lunch Program	LL-P4	10.555	745,738	745,738
Special Milk	02-PU	10.556	4,602	4,602
School Snack	LL-P4	10.558	599	599
Summer Food Service Program	24-PU	10.559	<u>12,934</u>	<u>12,934</u>
Total U.S. Department of Agriculture			<u>957,782</u>	<u>957,782</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	574,933	638,287
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	1,213,325	1,157,821
Preschool Disabilities Grant	PG-SC	84.173	<u>43,732</u>	<u>43,732</u>
Total Special Education Cluster			<u>1,257,057</u>	<u>1,201,553</u>
Drug Free Schools and Communities	DR-S1	84.186	15,362	14,655
Title VI - Innovative Education Grant	C2-S1	84.298	781	7,381
Title II-D - Technology	TJ-S1	84.318	9,912	2,514
Improving Teacher Quality	TR-S1	84.367	159,569	238,581
Title III - Immigrant	T3-S2	84.365	<u>66,585</u>	<u>66,585</u>
Total Passed Through Ohio Department of Education			<u>2,084,199</u>	<u>2,169,556</u>
<i>Direct Programs</i>				
Javits Gifted and Talented Students	N/A	84.206	-	420
Total U.S. Department of Education			<u>2,084,199</u>	<u>2,169,976</u>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>\$ <u>3,041,981</u></b>	<b>\$ <u>3,127,758</u></b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

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### **NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2009, the School District had no significant food commodities in inventory.

### **NOTE C – MATCHING REQUIREMENTS**

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.



**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board of Education  
Huber Heights City School District  
5954 Longford Road  
Huber Heights, Ohio 45424

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2009. 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, finding 2009-001, to be a significant deficiency over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

2525 north limestone street, ste. 103  
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f. 937.399.5433

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated December 15, 2009.

This report is intended solely for the information and use of management, the finance committee, 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 15, 2009

## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education  
Huber Heights City School District  
5954 Longford Road  
Huber Heights, Ohio 45424

### **Compliance**

We have audited the compliance of the Huber Heights School District (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 each of its major federal programs for the year ended June 30, 2009. The 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 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 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe 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 each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the finance committee, others within the entity, 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 15, 2009

**Huber Heights City School District  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2009**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – School Breakfast Program	
CFDA 10.555 – School Lunch Program	
CFDA 10.556 – School Milk Program	
CFDA 10.558 – School Snack Program	
CFDA 10.559 – Summer Food Program	
CFDA 84.010 – Title I Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

**Finding 2009-001**

The reports used by the District to calculate and record the accrued wage liability were not complete. Although the error was not considered material, the amount was significant enough to require an audit adjustment.

The District should implement procedures to ensure all reports prepared for use in recording financial statement amounts are complete. A comparison to prior years is a useful tool in identifying errors in the data compiled for reporting purposes.

*Management Response*

The District has implemented procedures to correct the control deficiency noted above.

**Section III – Federal Awards Findings and Questioned Costs**

None noted

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

None noted

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education  
Huber Heights City School District:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Huber Heights City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on August 9, 2007 and revised December 7, 2007.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A procedure for documenting any prohibited incident that is reported;
- (6) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents.
- (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.
- (2) A procedure for responding to and investigating any reported incident;
- (3) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (4) A requirement to post the semi-annual written summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 15, 2009





**Mary Taylor, CPA**  
Auditor of State

**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**  
**JANUARY 21, 2010**