



Dave Yost • Auditor of State



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position – June 30, 2013 .....	13
Statement of Activities – For the Fiscal Year Ended June 30, 2013 .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2013 .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2013 .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2013 .....	17
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, 2013 .....	19
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, 2013 .....	21
Statement of Net Position - Fiduciary Funds – June 30, 2013 .....	23
Statement of Changes in Net Position - Fiduciary Fund – For the Fiscal Year Ended June 30, 2013.....	24
Notes to the Basic Financial Statements .....	25
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2013 .....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	56
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	57
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	59
Schedule of Findings.....	61
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	63

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huber Heights City School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Huber Heights City School District, Montgomery County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during fiscal year 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2014

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# HUBER HEIGHTS CITY SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013*

*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, 2013. 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 2013 are as follows:

- ❑ In total, net position decreased \$9,052,902. This represented an 8% change from the amount reported in the prior fiscal year. This decrease in net position included a \$6,964,036 loss on disposal of capital assets, which was the result of the demolition of several school facilities.
- ❑ General revenues accounted for \$62,243,258 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,252,270 or 12% of total revenues of \$70,495,528.
- ❑ The District had \$72,584,394 in expenses related to governmental activities; \$8,252,270 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$62,243,258 were also available to provide for these programs.
- ❑ The District's general fund had \$57,877,710 in revenues and \$62,071,309 in expenditures. The general fund's fund balance decreased \$4,176,840 to \$1,568,077.

## 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, 2013***

***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 position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. 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 position and how it has changed. Net position is one way to measure the District's financial health.

Over time, increases or decreases in the District's net position is 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 Position 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, 2013**

**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 Position and Changes in Fiduciary Net Position. 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 position for 2013 compared to 2012.

	Governmental Activities		Increase (Decrease)
	2013	2012	
Current and other Assets	\$67,776,362	\$91,733,132	(\$23,956,770)
Capital Assets, Net	155,116,929	140,671,145	14,445,784
Total Assets	222,893,291	232,404,277	(9,510,986)
Long-term Debt Outstanding	81,437,287	82,937,577	(1,500,290)
Other Liabilities	12,048,261	11,925,760	122,501
Total Liabilities	93,485,548	94,863,337	(1,377,789)
Deferred Inflows of Resources	28,101,615	27,181,910	919,705
Net Position			
Net Investment in Capital Assets	93,086,282	98,446,254	(5,359,972)
Restricted	7,329,180	7,336,663	(7,483)
Unrestricted	890,666	4,576,113	(3,685,447)
Total Net Position	\$101,306,128	\$110,359,030	(\$9,052,902)

The continued construction of new school facilities resulted in an increase in capital assets, and a corresponding decrease in current assets (receivables and cash). A reduction in outstanding long term debt resulted in a decrease in liabilities.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**

**Unaudited**

**Changes in Net Position** – The following table shows the changes in net position for the fiscal year 2013 compared to 2012:

	Governmental Activities		Increase (Decrease)
	2013	2012	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$2,188,126	\$2,716,887	(\$528,761)
Operating Grants and Contributions	5,371,149	4,759,477	611,672
Capital Grants and Contributions	692,995	0	692,995
Total Program Revenues	<u>8,252,270</u>	<u>7,476,364</u>	<u>775,906</u>
General Revenues:			
Property Taxes	30,293,566	31,667,438	(1,373,872)
Intergovernmental, Unrestricted	31,130,261	31,740,517	(610,256)
Other	819,431	785,274	34,157
Total General revenues	<u>62,243,258</u>	<u>64,193,229</u>	<u>(1,949,971)</u>
Total Revenues	<u>70,495,528</u>	<u>71,669,593</u>	<u>(1,174,065)</u>
<b>Program Expenses</b>			
Instruction	45,300,456	47,354,009	(2,053,553)
Support Services:			
Pupils	2,790,357	3,155,439	(365,082)
Instructional Staff	4,031,821	4,569,897	(538,076)
Board of Education	25,428	23,102	2,326
Administration	3,876,862	4,450,211	(573,349)
Fiscal Services	1,022,716	1,154,632	(131,916)
Business	348,034	444,065	(96,031)
Operation and Maintenance of Plant	4,488,435	5,307,193	(818,758)
Pupil Transportation	2,979,631	3,636,672	(657,041)
Central	481,344	478,556	2,788
Operation of Non-Instructional:			
Food Service Operations	2,245,135	2,392,696	(147,561)
Community Services	345,757	390,276	(44,519)
Extracurricular Activities	879,185	1,025,995	(146,810)
Debt Service:			
Interest and Fiscal Charges	3,769,233	3,792,122	(22,889)
Total Expenses	<u>72,584,394</u>	<u>78,174,865</u>	<u>(5,590,471)</u>
Change in Net Position before Special Items	(2,088,866)	(6,505,272)	4,416,406
Special Item - Loss on Disposal of Capital Assets	(6,964,036)	0	(6,964,036)
Total Change in Net Position	(9,052,902)	(6,505,272)	(2,547,630)
Beginning Net Position	<u>110,359,030</u>	<u>116,864,302</u>	<u>(6,505,272)</u>
Ending Net Position	<u>\$101,306,128</u>	<u>\$110,359,030</u>	<u>(\$9,052,902)</u>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

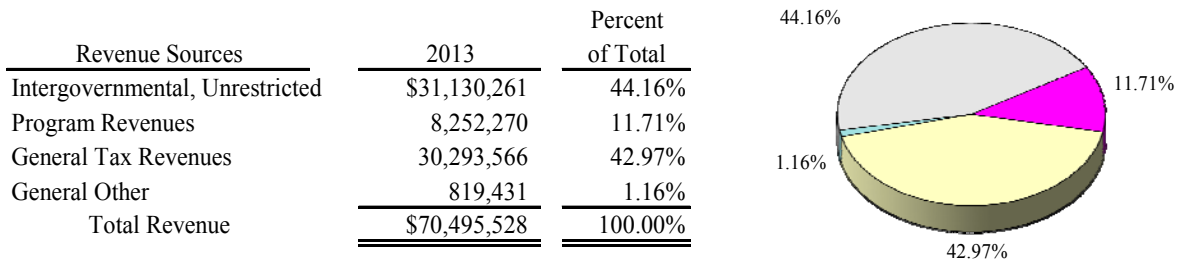
**Unaudited**

Net position of the District's governmental activities decreased \$9,052,902. A decrease in the amount of property tax available for advance resulted in the decrease in taxes, while the decrease in unrestricted intergovernmental revenues can be attributed to a decrease in reimbursements related to the personal property tax phase out. Changes in student enrollment resulted in decreases in tuition received from other School Districts, resulting in a decrease in charges for services. Decreases in expenses can be attributed to a decrease in salaries and related costs across all departments.

**Governmental Activities**

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 43% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2013. 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 \$25,404,517, which is below last year's total of \$50,442,799. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)
General	\$1,568,077	\$5,744,917	(\$4,176,840)
Debt Service	3,419,225	3,358,231	60,994
Ohio School Facilities	14,941,589	35,066,209	(20,124,620)
Other Governmental	5,475,626	6,273,442	(797,816)
Total	<u>\$25,404,517</u>	<u>\$50,442,799</u>	<u>(\$25,038,282)</u>

Expenditures continued to outpace revenues in the District's general fund, resulting in a decrease in fund balance. The decrease in the District's Other Governmental Funds can be attributed to decreases in federal grants. The Ohio School Facilities fund balance decreased due to outlays for school building construction.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Unaudited**

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

	2013 Revenues	2012 Revenues	Increase (Decrease)
Taxes	\$25,648,429	\$26,814,000	(\$1,165,571)
Tuition	408,074	658,879	(250,805)
Investment Earnings	9,115	50,728	(41,613)
Extracurricular Activities	447,692	433,351	14,341
Class Materials and Fees	135,797	146,143	(10,346)
Intermediate Sources	153,756	0	153,756
Intergovernmental - State	30,167,324	30,911,343	(744,019)
Intergovernmental - Federal	172,780	155,792	16,988
All Other Revenue	734,743	521,752	212,991
<b>Total</b>	<b>\$57,877,710</b>	<b>\$59,691,988</b>	<b>(\$1,814,278)</b>

General Fund revenues in 2013 decreased \$1,814,278, or 3% compared to revenues in fiscal year 2012. A decrease in the amount of property tax available for advance resulted in the decrease in taxes, while the decrease in intergovernmental state revenues can be attributed to a decrease in reimbursements related to the personal property tax phase out. Changes in student enrollment resulted in a decrease in tuition receipts from other School Districts.

	2013 Expenditures	2012 Expenditures	Increase (Decrease)
Instruction	\$43,002,380	\$44,556,716	(\$1,554,336)
Supporting Services:			
Pupils	2,635,295	2,985,530	(350,235)
Instructional Staff	3,412,440	3,767,755	(355,315)
Board of Education	25,428	23,102	2,326
Administration	3,672,019	4,275,215	(603,196)
Fiscal Services	921,419	1,005,200	(83,781)
Business	356,732	452,515	(95,783)
Operation and Maintenance of Plant	4,213,922	4,395,508	(181,586)
Pupil Transportation	2,746,356	3,357,543	(611,187)
Central	469,094	509,338	(40,244)
Community Services	0	1,095	(1,095)
Extracurricular Activities	596,825	618,218	(21,393)
Debt Service			
Interest and Fiscal Charges	19,399	0	19,399
<b>Total</b>	<b>\$62,071,309</b>	<b>\$65,947,735</b>	<b>(\$3,876,426)</b>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013***

***Unaudited***

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Expenditures decreased \$3,876,426 or approximately 6% compared to the prior year. This can be attributed to decreases in salaries and related costs across all departments.

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 2013 the District amended its General Fund budget several times, none significant.

For the General Fund, original budget, final budget and actual budget basis revenue estimates were not significantly different. Actual budget basis expenditures were 2% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

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

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

At the end of fiscal 2013 the District had \$155,116,929 net of accumulated depreciation invested in land, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2013 and 2012 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2013</u>	<u>2012</u>	
Land	\$965,003	\$970,003	(\$5,000)
Construction in Progress	0	53,912,072	(53,912,072)
Land Improvements	2,362,675	2,648,562	(285,887)
Buildings and Improvements	155,234,673	92,151,749	63,082,924
Machinery and Equipment	2,184,595	3,366,394	(1,181,799)
Vehicles	3,853,973	3,853,973	0
Less: Accumulated Depreciation	(9,483,990)	(16,231,608)	6,747,618
Totals	<u>\$155,116,929</u>	<u>\$140,671,145</u>	<u>\$14,445,784</u>

The District's school building construction project continued in fiscal 2013, resulting in substantial increases to buildings and improvements.

Additional information on the District's capital assets can be found in Note 9.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Unaudited**

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### **Debt**

At June 30, 2013 the District had \$77 million in bonds outstanding for the construction of new school facilities, \$1,055,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Governmental Activities:		
Energy Conservation Notes:		
School Improvement	\$60,730	\$91,095
General Obligation Bonds:		
School Improvement	77,255,000	78,285,000
Certificates of Participation:		
School Improvement	1,485,000	1,565,000
Early Retirement Incentive Payable	482,873	965,746
Capital Leases Payable	56,314	91,937
Compensated Absences	2,097,370	1,938,799
Totals	<u>\$81,437,287</u>	<u>\$82,937,577</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, 2013, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

### **ECONOMIC FACTORS**

The Governor's budget increased funding for the next two years, but the funding levels were capped below the State formula. Further property tax revenue will mostly decrease in the next fiscal year, because of the drop in tax valuation. Because of the uncertainty in the financial resources of the District, reductions to expenditures will be reviewed as to have the least amount of impact on the instructional level as possible.

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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### **Statement of Net Position** **June 30, 2013**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 17,386,300
Investments	17,001,545
Receivables:	
Taxes	30,488,374
Intergovernmental	1,344,201
Inventory of Supplies at Cost	314,589
Restricted Assets:	
Cash with Fiscal Agent	1,241,353
Non-Depreciable Capital Assets	965,003
Depreciable Capital Assets, Net	154,151,926
<b>Total Assets</b>	<b>222,893,291</b>
<b>Liabilities:</b>	
Accounts Payable	342,987
Accrued Wages and Benefits	5,569,714
Intergovernmental Payable	2,146,458
Contracts Payable	2,474,292
Retainage Payable	1,201,728
Accrued Interest Payable	313,082
Long Term Liabilities:	
Due Within One Year	2,360,765
Due in More Than One Year	79,076,522
<b>Total Liabilities</b>	<b>93,485,548</b>
<b>Deferred Inflows of Resources:</b>	
Property Tax Levy for Next Fiscal Year	28,101,615
<b>Net Position:</b>	
Net Investment in Capital Assets	93,086,282
Restricted For:	
Capital Projects	1,351,848
Debt Service	3,241,293
Other Purposes	2,736,039
Unrestricted	890,666
<b>Total Net Position</b>	<b>\$ 101,306,128</b>

See accompanying notes to the basic financial statements

# HUBER HEIGHTS CITY SCHOOL DISTRICT

## Statement of Activities For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 45,300,456	\$ 543,871	\$ 2,357,667	\$ 692,995	\$ (41,705,923)
Support Services:					
Pupils	2,790,357	0	117,463	0	(2,672,894)
Instructional Staff	4,031,821	0	739,738	0	(3,292,083)
Board of Education	25,428	0	0	0	(25,428)
Administration	3,876,862	0	53,903	0	(3,822,959)
Fiscal Services	1,022,716	0	0	0	(1,022,716)
Business	348,034	0	0	0	(348,034)
Operation and Maintenance of Plant	4,488,435	0	109,352	0	(4,379,083)
Pupil Transportation	2,979,631	0	0	0	(2,979,631)
Central	481,344	0	0	0	(481,344)
Operation of Non-Instructional:					
Food Service Operations	2,245,135	932,931	1,621,624	0	309,420
Community Services	345,757	0	371,402	0	25,645
Extracurricular Activities	879,185	711,324	0	0	(167,861)
Interest and Fiscal Charges	3,769,233	0	0	0	(3,769,233)
<b>Total Governmental Activities</b>	<b>\$ 72,584,394</b>	<b>\$ 2,188,126</b>	<b>\$ 5,371,149</b>	<b>\$ 692,995</b>	<b>\$ (64,332,124)</b>

### General Revenues and Special Items

Property Taxes Levied for:	
General Purposes	25,339,263
Debt Service	4,078,984
Capital Outlay	875,319
Intergovernmental, Unrestricted	31,130,261
Investment Earnings	63,442
Miscellaneous	755,989
Special Item - Loss on Disposal of Capital Assets	(6,964,036)
<b>Total General Revenues and Special Items</b>	<b>55,279,222</b>
 Change in Net Position	 (9,052,902)
 Net Position Beginning of Year	 110,359,030
<b>Net Position End of Year</b>	<b>\$ 101,306,128</b>

See accompanying notes to the basic financial statements

## HUBER HEIGHTS CITY SCHOOL DISTRICT

### **Balance Sheet Governmental Funds June 30, 2013**

	General	Debt Service	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 4,075,169	\$ 3,196,575	\$ 4,882,917	\$ 5,231,639	\$ 17,386,300
Investments	2,468,719	0	13,220,099	1,312,727	17,001,545
Receivables:					
Taxes	25,435,911	4,159,807	0	892,656	30,488,374
Intergovernmental	343,978	0	21,819	978,404	1,344,201
Interfund Loans Receivable	729,800	0	0	0	729,800
Inventory of Supplies at Cost	298,156	0	0	16,433	314,589
Restricted Assets:					
Cash with Fiscal Agent	0	21,446	1,201,728	18,179	1,241,353
<b>Total Assets</b>	<b>\$ 33,351,733</b>	<b>\$ 7,377,828</b>	<b>\$ 19,326,563</b>	<b>\$ 8,450,038</b>	<b>\$ 68,506,162</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 105,392	\$ 0	\$ 0	\$ 237,595	\$ 342,987
Accrued Wages and Benefits	5,152,440	0	0	417,274	5,569,714
Intergovernmental Payable	1,353,183	0	708,954	84,321	2,146,458
Contracts Payable	0	0	2,474,292	0	2,474,292
Early Retirement Incentive Payable	482,873	0	0	0	482,873
Interfund Loans Payable	0	0	0	729,800	729,800
Retainage Payable	0	0	1,201,728	0	1,201,728
Compensated Absences Payable	474,434	0	0	3,493	477,927
<b>Total Liabilities</b>	<b>7,568,322</b>	<b>0</b>	<b>4,384,974</b>	<b>1,472,483</b>	<b>13,425,779</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Amounts	769,484	125,406	0	679,361	1,574,251
Property Tax Levy for Next Fiscal Year	23,445,850	3,833,197	0	822,568	28,101,615
<b>Total Deferred Inflows of Resources</b>	<b>24,215,334</b>	<b>3,958,603</b>	<b>0</b>	<b>1,501,929</b>	<b>29,675,866</b>
<b>Fund Balance:</b>					
Nonspendable	298,156	0	0	16,433	314,589
Restricted	0	3,419,225	14,941,589	6,017,606	24,378,420
Committed	11,000	0	0	0	11,000
Assigned	912,024	0	0	0	912,024
Unassigned	346,897	0	0	(558,413)	(211,516)
<b>Total Fund Balance</b>	<b>1,568,077</b>	<b>3,419,225</b>	<b>14,941,589</b>	<b>5,475,626</b>	<b>25,404,517</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 33,351,733</b>	<b>\$ 7,377,828</b>	<b>\$ 19,326,563</b>	<b>\$ 8,450,038</b>	<b>\$ 68,506,162</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 Position of Governmental Activities June 30, 2013***

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<b>Total Governmental Fund Balances</b>	\$	25,404,517
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		155,116,929
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		1,574,251
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(77,255,000)	
Certificates of Participation	(1,485,000)	
Energy Conservation Notes Payable	(60,730)	
Capital Leases Payable	(56,314)	
Compensated Absences Payable	(1,619,443)	
Interest Payable	(313,082)	(80,789,569)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>101,306,128</b>

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, 2013**

	General	Debt Service	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local Sources:					
Taxes	\$ 25,648,429	\$ 4,128,555	\$ 0	\$ 885,957	\$ 30,662,941
Tuition	408,074	0	0	0	408,074
Investment Earnings	9,115	0	53,863	464	63,442
Food Services	0	0	0	932,931	932,931
Extracurricular Activities	447,692	0	0	263,632	711,324
Class Materials and Fees	135,797	0	0	0	135,797
Intermediate Sources	153,756	0	0	0	153,756
Intergovernmental - State	30,167,324	665,603	692,995	695,629	32,221,551
Intergovernmental - Federal	172,780	0	0	4,427,977	4,600,757
All Other Revenue	734,743	0	200	21,046	755,989
<b>Total Revenue</b>	<b>57,877,710</b>	<b>4,794,158</b>	<b>747,058</b>	<b>7,227,636</b>	<b>70,646,562</b>
<b>Expenditures:</b>					
Current:					
Instruction	43,002,380	0	0	2,216,244	45,218,624
Supporting Services:					
Pupils	2,635,295	0	0	112,988	2,748,283
Instructional Staff	3,412,440	0	0	650,549	4,062,989
Board of Education	25,428	0	0	0	25,428
Administration	3,672,019	0	0	54,255	3,726,274
Fiscal Services	921,419	51,520	41,396	44,057	1,058,392
Business	356,732	0	0	0	356,732
Operation and Maintenance of Plant	4,213,922	0	0	224,509	4,438,431
Pupil Transportation	2,746,356	0	0	2	2,746,358
Central	469,094	0	0	0	469,094
Operation of Non-Instructional:					
Food Service Operations	0	0	0	2,242,949	2,242,949
Community Services	0	0	0	345,757	345,757
Extracurricular Activities	596,825	0	0	259,435	856,260
Capital Outlay	0	0	20,830,282	1,620,442	22,450,724
Debt Service:					
Principal Retirement	0	1,030,000	0	145,988	1,175,988
Interest & Fiscal Charges	19,399	3,651,644	0	110,627	3,781,670
<b>Total Expenditures</b>	<b>62,071,309</b>	<b>4,733,164</b>	<b>20,871,678</b>	<b>8,027,802</b>	<b>95,703,953</b>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

	General	Debt Service	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(4,193,599)	60,994	(20,124,620)	(800,166)	(25,057,391)
<b>Other Financing Sources (Uses):</b>					
Premium on Sale of Notes	9,360	0	0	0	9,360
<b>Total Other Financing Sources (Uses)</b>	<u>9,360</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,360</u>
Net Change in Fund Balance	(4,184,239)	60,994	(20,124,620)	(800,166)	(25,048,031)
<b>Fund Balance at Beginning of Year</b>	5,744,917	3,358,231	35,066,209	6,273,442	50,442,799
Increase in Inventory	7,399	0	0	2,350	9,749
<b>Fund Balance End of Year</b>	<u>\$ 1,568,077</u>	<u>\$ 3,419,225</u>	<u>\$ 14,941,589</u>	<u>\$ 5,475,626</u>	<u>\$ 25,404,517</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***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, 2013***

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Net Change in Fund Balances - Total Governmental Funds \$ (25,048,031)

***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. 21,409,820

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. (6,964,036)

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	(151,034)	
Change in Inventory	9,749	(141,285)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. 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 position.

General Obligation Bond Principal Payment	1,030,000	
Certificates of Participation Principal Payment	80,000	
Energy Conservation Notes Principal Payment	30,365	
Capital Lease Principal Payment	35,623	1,175,988

In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, an interest expenditure is reported when due. 3,077

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.

Change in Compensated Absences	28,692	
Change in Early Retirement Incentive Payable	482,873	511,565

**Change in Net Position of Governmental Activities \$ (9,052,902)**

See accompanying notes to the basic financial statements

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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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 26,017,490	\$ 26,688,886	\$ 26,276,919	\$ (411,967)
Tuition	404,045	414,472	408,074	(6,398)
Investment Earnings	841,839	863,563	850,233	(13,330)
Extracurricular Activities	221,164	226,871	223,369	(3,502)
Class Material and Fees	955	980	965	(15)
Intermediate Sources	152,238	156,167	153,756	(2,411)
Intergovernmental - State	29,869,486	30,640,282	30,167,324	(472,958)
Intergovernmental - Federal	171,074	175,489	172,780	(2,709)
All Other Revenues	448,747	460,328	453,222	(7,106)
Total Revenues	<u>58,127,038</u>	<u>59,627,038</u>	<u>58,706,642</u>	<u>(920,396)</u>
<b>Expenditures:</b>				
Current:				
Instruction	39,504,355	43,133,639	42,927,716	205,923
Support Services:				
Pupils	2,542,930	2,776,550	2,694,442	82,108
Instructional Staff	3,659,166	3,995,335	3,934,746	60,589
Board of Education	25,369	27,700	24,822	2,878
Administration	3,436,296	3,751,991	3,697,575	54,416
Fiscal Services	1,048,568	1,144,900	942,914	201,986
Business	417,823	456,209	391,287	64,922
Operation and Maintenance of Plant	4,321,250	4,718,245	4,430,307	287,938
Pupil Transportation	2,980,761	3,254,605	3,141,824	112,781
Central	482,037	526,322	504,606	21,716
Extracurricular Activities	556,202	607,300	572,908	34,392
Debt Service:				
Principal Retirement	4,000,000	4,000,000	4,000,000	0
Interest and Fiscal Charges	50,000	50,000	19,399	30,601
Total Expenditures	<u>63,024,757</u>	<u>68,442,796</u>	<u>67,282,546</u>	<u>1,160,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,897,719)	(8,815,758)	(8,575,904)	239,854

## **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>				
Tax Anticipation Note Proceeds	0	0	4,000,000	4,000,000
Premium on Note Issuance	0	0	9,360	9,360
Transfers Out	(259,655)	(259,655)	0	259,655
Advances In	500,000	500,000	560,851	60,851
Advances Out	(1,243,000)	(1,243,000)	(1,296,800)	(53,800)
Total Other Financing Sources (Uses):	<u>(1,002,655)</u>	<u>(1,002,655)</u>	<u>3,273,411</u>	<u>4,276,066</u>
 Net Change in Fund Balance	 (5,900,374)	 (9,818,413)	 (5,302,493)	 4,515,920
 Fund Balance at Beginning of Year	 9,771,107	 9,771,107	 9,771,107	 0
Prior Year Encumbrances	488,796	488,796	488,796	0
Fund Balance at End of Year	<u>\$ 4,359,529</u>	<u>\$ 441,490</u>	<u>\$ 4,957,410</u>	<u>\$ 4,515,920</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Statement of Net Position  
Fiduciary Funds  
June 30, 2013***

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	Private Purpose Trust	
	Special Trust Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 11,388	\$ 63,769
<b>Total Assets</b>	<u>11,388</u>	<u>63,769</u>
<b>Liabilities:</b>		
Due to Others	0	1,991
Due to Students	0	61,778
<b>Total Liabilities</b>	<u>0</u>	<u>63,769</u>
<b>Net Position:</b>		
Unrestricted	11,388	0
<b>Total Net Position</b>	<u>\$ 11,388</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 Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2013***

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	Private Purpose Trust <hr/> Special Trust Fund <hr/>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 1,738
Total Additions	<hr/> 1,738 <hr/>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	1,000
Total Deductions	<hr/> 1,000 <hr/>
Change in Net Position	738
Net Position at Beginning of Year	<hr/> 10,650
Net Position End of Year	<hr/> \$ 11,388 <hr/>

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, 2013***

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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 227 non-certified and approximately 362 certified teaching personnel and administrative employees providing education to 6,112 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 Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council, the Miami Valley Career Technology 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, deferred outflows/inflows of resources, 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, 2013***

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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.

**Debt Service Fund** - This fund accounts for resources that are used for payment of principal, interest, and fiscal charges on general obligation debt.

**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 position and changes in net position. 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 funds account for various student-managed activity programs and athletic tournament monies. The agency funds are 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 position 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, 2013***

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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, current liabilities, deferred outflows/inflows of resources, 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, 2013 which are not intended to finance fiscal 2013 operations have been recorded as deferred inflows of resources. 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.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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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. The Montgomery County Auditor has waived the tax budget requirement.

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. The Montgomery County Auditor has waived the tax budget requirement.

##### **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 2013.



# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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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, 2013***

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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)	(\$4,184,239)
Increase (Decrease):	
Accrued Revenues at June 30, 2013, received during FY 2014	(2,713,074)
Accrued Revenues at June 30, 2012, received during FY 2013	3,264,212
Accrued Expenditures at June 30, 2013, paid during FY 2014	7,568,322
Accrued Expenditures at June 30, 2012, paid during FY 2013	(8,339,665)
Encumbrances Outstanding	(857,142)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(40,907)
Budget Basis	<u><u>(\$5,302,493)</u></u>

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

During fiscal year 2013 cash and cash equivalents included amounts in demand deposits 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 5, "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, 2013***

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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 2013. 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, 2013. See Note 5, "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 position 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, 2013**

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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	Permanent Improvement Fund
General Obligation Bonds	Debt Service Fund
Certificates of Participation	Permanent Improvement Fund
Capital Leases Payable	Permanent Improvement Fund
Compensated Absences	General Fund, Food Service Fund
Early Retirement Incentive	General 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, 2013***

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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 position, "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 Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net position 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 position is reported as restricted when there are limitations imposed on 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, 2013 there was no net position restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is 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**

Cash with fiscal agent represents cash and cash equivalents restricted in use for the retirement of matured bonds and interest payable, the purchase of bricks for a memorial courtyard and for a construction retainage account.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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

##### **P. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

***Unassigned*** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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

##### **Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District reports no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### **R. 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.

##### **S. 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. In fiscal 2013 the District reported a special item in the amount of \$6,964,036 which represented the carrying value of several school facilities which were demolished to allow for the completion of seven new school buildings.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2013 the District implemented GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

#### **NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* - The fund deficits at June 30, 2013 of \$13,263 in the Race to the Top Fund, \$11,802 in the Immigrant Grant Fund, \$313,392 in the Title VI-B Fund, \$213,302 in the Title I Fund, and \$6,654 in the Preschool Grant 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.

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013***

**NOTE 4 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Supplies Inventory	\$298,156	\$0	\$0	\$16,433	\$314,589
Total Nonspendable	<u>298,156</u>	<u>0</u>	<u>0</u>	<u>16,433</u>	<u>314,589</u>
Restricted:					
Food Service Operations	0	0	0	475,615	475,615
Staff Development & Support	0	0	0	41,193	41,193
Auxiliary Services	0	0	0	83,655	83,655
Facilities Maintenance	0	0	0	2,042,212	2,042,212
Extracurricular Activities	0	0	0	111,650	111,650
Entry Year Programs	0	0	0	59	59
Ohio Reads Program	0	0	0	9,682	9,682
Safe and Drug Free Program	0	0	0	1,869	1,869
Technology Improvements	0	0	0	963	963
Other Purposes	0	0	0	22,248	22,248
Debt Service Payments	0	3,419,225	0	0	3,419,225
Capital Acquisition and Improvement	0	0	14,941,589	3,228,460	18,170,049
Total Restricted	<u>0</u>	<u>3,419,225</u>	<u>14,941,589</u>	<u>6,017,606</u>	<u>24,378,420</u>
Committed:					
Pollution Remediation	11,000	0	0	0	11,000
Total Committed	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned to Other Purposes	912,024	0	0	0	912,024
Unassigned	346,897	0	0	(558,413)	(211,516)
Total Fund Balances	<u>\$1,568,077</u>	<u>\$3,419,225</u>	<u>\$14,941,589</u>	<u>\$5,475,626</u>	<u>\$25,404,517</u>

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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### **NOTE 5 – 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, 2013**

**NOTE 5 - 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 \$18,574,769 and the bank balance was \$19,206,987. Federal depository insurance covered \$750,000 of the bank balance and \$18,456,987 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$18,456,987
Total Balance	\$18,456,987

**B. Investments**

The District's investments at June 30, 2013 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
STAR Ohio	\$128,041	AAAm <sup>1</sup>	\$128,041	\$0	\$0
US Treasury Notes/Bills	1,949,520	AA+ <sup>1</sup> /Aaa <sup>2</sup>	1,949,520	0	0
US Treasury Money Market	320,869	AA+ <sup>1</sup> /Aaa <sup>2</sup>	320,869	0	0
FFCB	2,450,656	AA+ <sup>1</sup> /Aaa <sup>2</sup>	2,450,656	0	0
FNMA	4,456,908	AA+ <sup>1</sup> /Aaa <sup>2</sup>	1,639,772	1,266,957	1,550,179
FHLB	7,459,397	AA+ <sup>1</sup> /Aaa <sup>2</sup>	7,459,397	0	0
FHLMC	364,195	AA+ <sup>1</sup> /Aaa <sup>2</sup>	99,934	264,261	0
Total Investments	\$17,129,586		\$14,048,189	\$1,531,218	\$1,550,179

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 5 - 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, 0.75% are STAR Ohio, 11.38% are United States Treasury Notes, 1.87% are Money Market Funds, 14.31% are FFCB, 26.02% are FNMA, 43.54% are FHLB, and 2.13% are FHLMC.

*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	\$18,702,810	\$17,001,545
Investments:		
STAR Ohio	(128,041)	128,041
Per GASB Statement No. 3	\$18,574,769	\$17,129,586

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 2013 amounted to \$9,115, which includes \$5,612 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, 2013***

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#### **NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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 2013 receipts were based are:

	2012 Second Half Collections	2013 First Half Collections
Agricultural/Residential and Other Real Estate	\$696,246,390	\$692,819,000
Public Utility Personal	10,804,640	11,502,890
Total Assessed Value	<u>\$707,051,030</u>	<u>\$704,321,890</u>
Tax rate per \$1,000 of assessed valuation	\$69.25	\$66.74

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013 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
General Fund	\$343,978
Food Service Fund	3,937
Auxiliary Services Fund	452
Summer School Subsidy Fund	103
Race to the Top Fund	86,884
Title I Fund	666,103
Title VI-B Fund	115,778
Class Size Reduction Fund	104,341
Permanent Improvement Fund	662
Ohio School Facilities LFI Fund	144
Ohio School Facilities Fund	21,819
	\$1,344,201

#### **NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2013:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$729,800	\$0
Other Governmental Funds	0	729,800
Totals	\$729,800	\$729,800

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013**

**NOTE 9 - CAPITAL ASSETS**

**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2013:

**Historical Cost:**

Class	June 30, 2012	Additions	Deletions	June 30, 2013
<b>Capital assets not being depreciated:</b>				
Land	\$970,003	\$0	(\$5,000)	\$965,003
Construction in Progress	53,912,072	0	(53,912,072)	0
	<u>54,882,075</u>	<u>0</u>	<u>(53,917,072)</u>	<u>965,003</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	2,648,562	0	(285,887)	2,362,675
Buildings and Improvements	92,151,749	76,597,150	(13,514,226)	155,234,673
Machinery and Equipment	3,366,394	57,088	(1,238,887)	2,184,595
Vehicles	3,853,973	0	0	3,853,973
Total Cost	<u>\$156,902,753</u>	<u>\$76,654,238</u>	<u>(\$68,956,072)</u>	<u>\$164,600,919</u>
<b>Accumulated Depreciation:</b>				
Class	June 30, 2012	Additions	Deletions	June 30, 2013
Land Improvements	(\$937,572)	(\$55,630)	\$237,222	(\$755,980)
Buildings and Improvements	(10,278,771)	(894,249)	6,846,540	(4,326,480)
Machinery and Equipment	(2,684,380)	(105,079)	996,202	(1,793,257)
Vehicles	(2,330,885)	(277,388)	0	(2,608,273)
Total Depreciation	<u>(\$16,231,608)</u>	<u>(\$1,332,346) *</u>	<u>\$8,079,964</u>	<u>(\$9,483,990)</u>
<b>Net Value:</b>	<u>\$140,671,145</u>			<u>\$155,116,929</u>

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

Instruction	\$980,175
Support Services:	
Administration	69,794
Fiscal Services	771
Business	991
Operations & Maintenance of Plant	51,271
Pupil Transportation	225,348
Extracurricular Activities	3,996
Total Depreciation Expense	<u>\$1,332,346</u>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 10- 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. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,328,003, \$1,268,403 and \$1,336,359 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. 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.



## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 10- DEFINED BENEFIT PENSION PLANS (Continued)**

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

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, 2013, 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 2012, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,183,998, \$4,443,749, and \$4,275,681 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2013 were \$90,946 made by the District and \$64,962 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, 2013, one member of the Board of Education has 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, 2013***

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#### **NOTE 11 - 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 (SERS) 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, Medicare Advantage, 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 SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 2013, 0.16 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 2013, this amount was \$20,525.

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, 2013, 2012, and 2011 were \$144,562, \$186,301, and \$307,914 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 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$75,017, \$74,906, and \$85,998 respectively; which were equal to the required contributions for each year.

##### **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.

**HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

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

Funding Policy – Ohio Revised Code Chapter 3307 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 2013, 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, 2013, 2012, and 2011 were \$321,846, \$341,827, and \$328,899 respectively; which were equal to the required contributions for each year.

**NOTE 12 - NOTES PAYABLE**

Note Payable activity of the District for the year ended June 30, 2013, was as follows:

	Issue Date	Balance July 1 2012	Issued (Retired)	Balance June 30 2013
General Fund Note Payable:				
1.00% Tax Anticipation	2/7/13	\$0	\$4,000,000 (4,000,000)	0
Total Notes Payable		\$0	\$0	\$0

The tax anticipation notes were issued to provide funding for expenditures during periods when expenditures exceed revenues and the District is waiting for those revenues due to be deposited.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013**

#### **NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the long term debt of the District for the year ended June 30, 2013 is as follows:

		Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Amount Due Within One Year
<b>Governmental Activities:</b>						
Energy Conservation Note:						
School Improvement - 4.58%	2005	\$91,095	\$0	(\$30,365)	\$60,730	\$30,365
General Obligation Bonds:						
School Improvement - 2.0-5.0%	2010	78,285,000	0	(1,030,000)	77,255,000	1,055,000
Certification of Participation:						
School Improvement - 6.75%	2010	1,565,000	0	(80,000)	1,485,000	85,000
Early Retirement Incentive Payable		965,746	0	(482,873)	482,873	482,873
Capital Leases Payable		91,937	0	(35,623)	56,314	37,147
Compensated Absences		1,938,799	351,024	(192,453)	2,097,370	670,380
Total Long Term Debt and Other Obligations		<u>\$82,937,577</u>	<u>\$351,024</u>	<u>(\$1,851,314)</u>	<u>\$81,437,287</u>	<u>\$2,360,765</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. The \$82 million of General Obligation Bonds and \$1.7 million of Certificates of Participation are for the construction of seven new school buildings.

#### **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, 2013 follows:

Years	Energy Conservation Notes		General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$30,365	\$2,781	\$1,055,000	\$3,626,869	\$85,000	\$97,369
2015	30,365	1,391	1,080,000	3,600,182	90,000	91,463
2016	0	0	1,245,000	3,568,007	95,000	85,219
2017	0	0	1,715,000	3,523,607	105,000	78,469
2018	0	0	1,765,000	3,469,200	110,000	71,213
2019-2023	0	0	11,175,000	15,992,840	665,000	231,020
2024-2028	0	0	15,535,000	12,873,646	335,000	23,118
2029-2033	0	0	21,240,000	8,396,250	0	0
2034-2037	0	0	22,445,000	2,326,375	0	0
Totals	<u>\$60,730</u>	<u>\$4,172</u>	<u>\$77,255,000</u>	<u>\$57,376,976</u>	<u>\$1,485,000</u>	<u>\$677,871</u>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 14 - CAPITALIZED LEASE**

The District is obligated under a lease accounted for as a capital lease. The cost of the leased asset 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 asset under capital lease was \$142,652.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2014	\$39,142
2015	19,571
Minimum Lease Payments	<u>58,713</u>
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(2,399)</u>
Present Value of minimum lease payments	<u><u>\$56,314</u></u>

#### **NOTE 15 – 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, 2013, the reserve activity (cash-basis) was as follows:

	<u>Capital Acquisition Reserve</u>
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-Aside Requirement	1,060,587
Current Year Offsets	<u>(4,233,309)</u>
Total	<u><u>(\$3,172,722)</u></u>
Balance Carried Forward to FY 2014	<u><u>\$0</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013***

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#### **NOTE 16 - 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 the Ohio School Plan for insurance. This policy has a limit of insurance in the amount of \$171,493,103 for property. The base policy for vehicle liability insurance is \$5,000,000 per occurrence. The Treasurer is 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.

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 17 - JOINTLY GOVERNED ORGANIZATION**

*Metropolitan Dayton Educational Cooperative Association* – The District is a member of the Metropolitan Dayton Educational Cooperative 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, 2013***

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#### **NOTE 17 - 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 \$122,440 for services provided during the year. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood Street, 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 2013, the District paid \$2,850 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 Technology Center* – The Miami Valley Career Technology 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, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, 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 position 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 2013, the School District paid \$9,015 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, 2013***

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#### **NOTE 17 - 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 18 – 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 2013, the District contributed \$8,760,335, which represented 6.13 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, 2013***

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### **NOTE 19 - 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, 2013.

#### **B. Litigation**

The District is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2013.

### **NOTE 20 – CONTRACTUAL COMMITMENTS**

As of June 30, 2013 the District had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Amount of Commitment</u>	<u>Estimated Date of Completion</u>
New School Facility Construction	\$5,663,008	May 2014

### **NOTE 21 – TERMINATION BENEFITS**

During fiscal year 2011 the District entered into an Employee Service Plan (ESP) which offered full and part-time teachers and classified staff who had ten or more years of service with the District or were eligible for full or reduced state retirement benefits as of June 30, 2011 an early retirement incentive. Eligible teachers would receive \$45,000, plus an amount equivalent to the employees applicable contractual sick leave pay. Eligible classified employees would receive 100% of his/her fiscal year 2011 base salary not to exceed \$20,000 plus an amount equivalent to the employees applicable contractual sick leave pay. As of June 30, 2013, the liability for the ESP was \$482,873, payable to the plan sponsor in fiscal year 2014.

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed through Ohio Department of Education</i>					
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	\$323,219		\$323,219	
National School Lunch Program	10.555	1,344,586	\$129,579	1,344,586	\$129,579
Special Milk Program for Children	10.556	4,611		4,611	
Summer Food Service Program for Children	10.559	4,228		4,228	
Total Child Nutrition Cluster		<u>1,676,644</u>	<u>129,579</u>	<u>1,676,644</u>	<u>129,579</u>
Total U.S. Department of Agriculture		<u>1,676,644</u>	<u>129,579</u>	<u>1,676,644</u>	<u>129,579</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed through Ohio Department of Education</i>					
Title I, Part A Cluster					
Title 1 Grants to Local Educational Agencies	84.010	992,428		1,428,743	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	786			
Total Title 1, Part A Cluster		<u>993,214</u>		<u>1,428,743</u>	
Special Education Cluster:					
Special Education—Grants to States	84.027	1,126,477		1,237,985	
Special Education—Preschool Grants	84.173	51,406		46,630	
Total Special Education Cluster		<u>1,177,883</u>		<u>1,284,615</u>	
Educational Technology State Grants	84.318	6,532		3,432	
English Language Acquisition State Grants	84.365	41,175		41,175	
Improving Teacher Quality State Grants	84.367	140,656		81,234	
ARRA - State Fiscal Stabilization Fund - Race-to-The-Top Incentive Grants, Recovery Act	84.395	184,712		187,832	
Total U.S. Department of Education		<u>2,544,172</u>		<u>3,027,031</u>	
Total Federal Financial Assistance		<u>\$4,220,816</u>	<u>\$129,579</u>	<u>\$4,703,675</u>	<u>\$129,579</u>

*See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.*

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Huber Height City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huber Heights City School District, Montgomery County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2014, wherein we noted the District adopted provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Huber Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Huber Heights City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Huber Heights City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2014



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: 10.553 School Breakfast Program 10.555 National School Lunch Program 10.556 Special Milk Program for Children 10.559 Summer Food Service Program for Children  84.010 Title 1 Grants to Local Educational Agencies  84.395 ARRA - State Fiscal Stabilization Fund – Race-to- the-Top Incentive Grants, Recovery Act
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

1. We noted the District amended its anti-harassment policy at its meeting on November 8, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 20, 2014

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# Dave Yost • 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  
APRIL 8, 2014**