



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

**JULY 1, 2000 THROUGH JUNE 30, 2001**



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

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**STATE OF OHIO**



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

January 29, 2002

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Investments	\$9,572,620	\$951,203	\$69,782	\$1,819,098
Cash with Fiscal Agent		15,437	21,206	
Restricted Equity in Pooled Cash and Investments	1,702,997			
Receivables:				
Taxes	21,153,916			770,701
Intergovernmental		136,034		
Accounts	6,165			
Inventory	366,634			
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided for Retirement of General Long-Term Obligations				
<b>Total Assets &amp; Other Debits</b>	<u>32,802,332</u>	<u>1,102,674</u>	<u>90,988</u>	<u>2,589,799</u>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	370,343	24,159		130,247
Accrued Wages & Benefits	4,241,466	173,337		
Compensated Absences Payable	113,818	4,895		
Deferred Revenue	17,638,922	136,034	21,206	631,167
Due to Students				
Operating Lease Payable				
Notes Payable				
<b>Total Liabilities</b>	<u>22,364,549</u>	<u>338,425</u>	<u>21,206</u>	<u>761,414</u>
<b>Fund Equity &amp; Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	1,999,366	172,346		1,181,303
Reserved for Property Tax Advances	3,514,994			139,534
Reserved for Inventory	366,634			
Reserved for Textbook	1,132,132			
Reserved for Budget Stabilization	570,865			
Unreserved & Undesignated	2,853,792	591,903	69,782	507,548
<b>Total Fund Equity &amp; Other Credits</b>	<u>10,437,783</u>	<u>764,249</u>	<u>69,782</u>	<u>1,828,385</u>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<u>\$32,802,332</u>	<u>\$1,102,674</u>	<u>\$90,988</u>	<u>\$2,589,799</u>

See accompanying notes to the financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$228,269	\$114,030			\$12,755,002
				36,643
				1,702,997
				21,924,617
62,000				198,034
7,110				13,275
26,624				393,258
189,481		\$32,866,871		33,056,352
			\$69,782	69,782
			3,977,512	3,977,512
<u>513,484</u>	<u>114,030</u>	<u>32,866,871</u>	<u>4,047,294</u>	<u>74,127,472</u>
27,591				552,340
88,692			244,902	4,748,397
46,917			2,591,528	2,757,158
22,303				18,449,632
	104,634			104,634
			111,046	111,046
			1,099,818	1,099,818
<u>185,503</u>	<u>104,634</u>		<u>4,047,294</u>	<u>27,823,025</u>
		32,866,871		32,866,871
80,000				80,000
247,981				247,981
				3,353,015
				3,654,528
				366,634
				1,132,132
				570,865
	9,396			4,032,421
<u>327,981</u>	<u>9,396</u>	<u>32,866,871</u>		<u>46,304,447</u>
<u>\$513,484</u>	<u>\$114,030</u>	<u>\$32,866,871</u>	<u>\$4,047,294</u>	<u>\$74,127,472</u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$22,485,357			\$848,132		\$23,333,489
Intergovernmental	24,491,071	\$2,111,992		364,960	\$8,000	26,976,023
Investment Income	647,646				59	647,705
Tuition & Fees	472,677	37,362				510,039
Extracurricular Activities	83,352	371,004				454,356
Miscellaneous	973,997	59,000			855	1,033,852
<b>Total Revenues</b>	<b>49,154,100</b>	<b>2,579,358</b>		<b>1,213,092</b>	<b>8,914</b>	<b>52,955,464</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	20,668,087	482,082		414,781	6,441	21,571,391
Special	4,575,586	484,641				5,060,227
Vocational	559,175					559,175
Other	844,192					844,192
Support Services:						
Pupils	2,003,346	113,167				2,116,513
Instructional Staff	1,491,313	341,543				1,832,856
Board of Education	13,703					13,703
Administration	2,930,825	76,410				3,007,235
Fiscal	704,182			10,571		714,753
Business	541,802					541,802
Operation & Maintenance of Plant	4,143,516	36,298				4,179,814
Pupil Transportation	2,012,867	8,737		14,647		2,036,251
Central	365,036	23,984				389,020
Operation of Non-Instructional Services		459,407				459,407
Extracurricular Activities	503,585	299,246				802,831
Capital Outlay				660,372		660,372
Debt Service:						
Principal Retirement	249,763					249,763
Interest & Fiscal Charges	61,458					61,458
<b>Total Expenditures</b>	<b>41,668,436</b>	<b>2,325,515</b>		<b>1,100,371</b>	<b>6,441</b>	<b>45,100,763</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>7,485,664</b>	<b>253,843</b>		<b>112,721</b>	<b>2,473</b>	<b>7,854,701</b>
<b>Fund Balance, Beginning of Year</b>	<b>3,121,523</b>	<b>510,406</b>	<b>\$69,782</b>	<b>1,715,664</b>	<b>6,923</b>	<b>5,424,298</b>
<b>Increase (Decrease) in Reserve for Inventory</b>	<b>(169,404)</b>					<b>(169,404)</b>
<b>Fund Balance, End of Year</b>	<b>\$10,437,783</b>	<b>\$764,249</b>	<b>\$69,782</b>	<b>\$1,828,385</b>	<b>\$9,396</b>	<b>\$13,109,595</b>

See accompanying notes to the financial statements.

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$19,276,864	\$19,276,864				
Intergovernmental	24,491,071	24,491,071		\$2,111,992	\$2,111,992	
Investment Income	649,317	649,317				
Tuition & Fees	529,469	529,469		424	424	
Extracurricular Activities	83,352	83,352		324,352	324,352	
Miscellaneous	970,835	970,835		59,000	59,000	
<b>Total Revenues</b>	<b>46,000,908</b>	<b>46,000,908</b>		<b>2,495,768</b>	<b>2,495,768</b>	
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	21,239,541	21,185,610	\$53,931	629,759	588,606	\$41,153
Special	4,552,705	4,546,451	6,254	592,330	471,490	120,840
Vocational	570,307	566,291	4,016			
Other	886,361	881,506	4,855			
Support Services:						
Pupils	2,086,625	2,083,344	3,281	151,700	106,923	44,777
Instructional Staff	1,565,579	1,543,735	21,844	202,703	341,907	(139,204)
Board of Education	16,500	13,703	2,797			
Administration	2,859,888	2,856,214	3,674	67,417	77,811	(10,394)
Fiscal	730,604	707,394	23,210			
Business	1,165,068	1,131,724	33,344			
Operation & Maintenance of Plant	4,901,951	4,770,969	130,982	37,505	36,298	1,207
Pupil Transportation	2,218,868	2,023,744	195,124	9,000	8,737	263
Central	395,900	389,674	6,226	12,000	22,014	(10,014)
Operation of Non-Instructional Services				437,905	475,677	(37,772)
Extracurricular Activities	503,770	499,075	4,695	268,168	256,654	11,514
Capital Outlay						
Debt Service:						
Principal Retirement	251,765	251,765				
Interest & Fiscal Charges	81,235	59,456	21,779			
<b>Total Expenditures</b>	<b>44,026,667</b>	<b>43,510,655</b>	<b>516,012</b>	<b>2,408,487</b>	<b>2,386,117</b>	<b>22,370</b>
Excess (Deficiency) of Revenues Over Under Expenditures	1,974,241	2,490,253	516,012	87,281	109,651	22,370
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	6,667,657	6,667,657		645,652	645,652	
<b>Fund Balance, End of Year</b>	<b>\$8,641,898</b>	<b>\$9,157,910</b>	<b>\$516,012</b>	<b>\$732,933</b>	<b>\$755,303</b>	<b>\$22,370</b>

See accompanying notes to the financial statements.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$720,768	\$720,768		\$19,997,632	\$19,997,632	
			364,960	364,960		26,968,023	26,968,023	
						649,317	649,317	
						529,893	529,893	
						407,704	407,704	
						1,029,835	1,029,835	
			1,085,728	1,085,728		49,582,404	49,582,404	
			498,001	498,000	\$1	22,367,301	22,272,216	\$95,085
						5,145,035	5,017,941	127,094
						570,307	566,291	4,016
						886,361	881,506	4,855
						2,238,325	2,190,267	48,058
						1,768,282	1,885,642	(117,360)
						16,500	13,703	2,797
						2,927,305	2,934,025	(6,720)
			11,000	10,571	429	741,604	717,965	23,639
						1,165,068	1,131,724	33,344
						4,939,456	4,807,267	132,189
			29,347	14,647	14,700	2,257,215	2,047,128	210,087
						407,900	411,688	(3,788)
						437,905	475,677	(37,772)
						771,938	755,729	16,209
			1,910,478	1,717,157	193,321	1,910,478	1,717,157	193,321
						251,765	251,765	
						81,235	59,456	21,779
			2,448,826	2,240,375	208,451	48,883,980	48,137,147	746,833
			(1,363,098)	(1,154,647)	208,451	698,424	1,445,257	746,833
\$69,782	\$69,782		1,792,442	1,792,442		9,175,533	9,175,533	
<b>\$69,782</b>	<b>\$69,782</b>	<b>\$0</b>	<b>\$429,344</b>	<b>\$637,795</b>	<b>\$208,451</b>	<b>\$9,873,957</b>	<b>\$10,620,790</b>	<b>\$746,833</b>

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Charges for Services	\$1,451,536
Tuition & Fees	320,525
Miscellaneous Revenue	300
Total Operating Revenues	1,772,361
<b>Operating Expenses:</b>	
Salaries	834,223
Fringe Benefits	251,477
Purchased Services	17,727
Materials & Supplies	1,182,334
Depreciation	25,567
Other Operating Expenses	1,901
Total Operating Expenses	2,313,229
<b>Operating Income (Loss)</b>	<b>(540,868)</b>
<b>Non-Operating Revenues (Expenses):</b>	
Donated Commodities	118,543
Operating Grants - State & Local	33,085
Operating Grants - Federal	426,092
Total Non-Operating Revenues	577,720
<b>Net Income</b>	<b>36,852</b>
Retained Earnings, Beginning of Year	211,129
<b>Retained Earnings, End of Year</b>	<b>\$247,981</b>

*See accompanying notes to the financial statements.*

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Tuition & Fees	\$320,525
Cash Received from Charges for Services	1,445,945
Cash Received from Miscellaneous Sources	300
Cash Payments for Personal Services	(1,112,285)
Cash Payments for Contract Services	(18,079)
Cash Payments for Supplies & Materials	(1,052,675)
Cash Payments for Other Expenses	<u>(1,901)</u>
Net Cash Provided (Used) by Operating Activities	<u>(418,170)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash Received from Operating Grants	<u>464,824</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>464,824</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	<u>(107,264)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(107,264)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(60,610)</b>
Cash and Cash Equivalents at Beginning of Year	<u>288,879</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$228,269</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	(\$540,868)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	25,567
Donated Commodities Used	118,543
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivables	(5,591)
(Increase) Decrease in Materials & Supplies Inventory	(7,169)
Increase (Decrease) in Accounts Payable	10,379
Increase (Decrease) in Accrued Wages & Benefits	8,514
Increase (Decrease) in Compensated Absences Payable	(35,099)
Increase (Decrease) in Deferred Revenue	<u>7,554</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$418,170)</u></u>

*See accompanying notes to the financial statements.*

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**1. REPORTING ENTITY AND BASIS OF PRESENTATION**

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

The Huber Heights City School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's ten instructional/support facilities staffed by a full-time staff of 706 employees. There are 471 certificated employees including 22 administrators and 235 classified support staff including 5 administrators, who provide services to 7,045 students and other community members.

**A. Reporting Entity**

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

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

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

The District is associated with four organizations, which are defined as jointly governed, and one public entity risk pool. These organizations include the Metropolitan Dayton Educational Computer Association (MDECA), the Southwestern Ohio Educational Purchasing Cooperative, the Miami Valley Career Technical Center, Southwestern Ohio Instructional Technology Association and the Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust.

**B. Basis of presentation - Fund Accounting**

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Fund**

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

**Debt Service Fund**

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

**Capital Projects Fund**

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

**2. Proprietary Fund Types:**

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

**Enterprise Funds**

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

**3. Fiduciary Fund Types:**

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

**4. Account Groups:**

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

**General Fixed Assets Account Group**

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

**General Long-Term Obligations Account Group**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds and nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax imposed, takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. (See Note 5) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income tax, interest, tuition, grants, and student fees.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**B. Budget Process**

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

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing on the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**2. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states that projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenues collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the current fiscal year.

**3. Appropriations**

On or about October 1, the annual appropriation must be legally enacted by the Board of Education at fund, function, level of expenditures in the General Fund and all other funds at the fund level, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

**4. Encumbrances**

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

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Cash Equivalents**

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

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

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

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

**D. Restricted Cash**

Restricted cash in the general fund represents cash and cash equivalents set aside to establish reserves required by state for budget stabilization, textbooks, and capital maintenance. At June 30, 2001 restricted cash equaled \$1,702,997.

**E. Inventory**

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

**F. Fixed Assets and Depreciation**

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. General Fixed Assets**

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

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

**2. Proprietary Fund Fixed Assets**

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

Equipment	5-30 years
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**G. Compensated Absences**

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

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

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



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 20 years of current service with the School District and for certified employees and administrators after 20 years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**H. Long-Term Obligations**

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

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

**I. Fund Balance Reserves**

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

**J. Intergovernmental Revenues**

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

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

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Contributed Capital**

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

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996 the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. There was no change in contributed capital during the year.

**L. Total Columns on General Purpose Financial Statements**

Total columns on the General Purpose Financial Statements overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. BUDGETARY BASIS OF ACCOUNTING**

**A. Budgetary Basis of Accounting**

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

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

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The adjustments necessary to convert the results of operations for the year ended June 30, 2001 from the GAAP basis to the budget basis are as follows:

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses**

	<b>Governmental Fund Types</b>			
	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
GAAP Basis	\$7,485,664	\$ 253,843	\$ 0	\$ 112,721
Revenue Accruals, net	(3,153,192)	(83,590)	0	(127,364)
Expenditure Accruals, net	275,487	112,955	0	41,299
Encumbrances	<u>(2,117,706)</u>	<u>(173,557)</u>	<u>0</u>	<u>(1,181,303)</u>
Budget Basis	<u>\$2,490,253</u>	<u>\$ 109,651</u>	<u>\$ 0</u>	<u>(\$1,154,647)</u>

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer for the custodian.

Protection of School District cash and investments is provided by Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Deposits**

At year end, the carrying amount of the School District's deposits was (\$44,056 ) and the bank balance was \$431,907, of the bank balance \$211,943 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized as defined by GASB Statement No. 3 because the securities held as collateral by the financial institutions or their trust departments or agencies were in the financial institutions' names. As authorized by state statute, the pledging bank has established an investment and securities pool to collateralize all public deposits.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

GASB Statement No. 3 “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” requires that the School District’s investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District’s name.

	<b>Category</b>	<b>Carrying Value (Fair Value)</b>
Dayton Foundation	2	\$ 15,437
Repurchase Agreements	3	10,523,261
Government Agencies	1	3,050,000
Commercial Paper	3	950,000
Total		<b>\$ 14,538,698</b>

**5. PROPERTY TAXES**

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

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

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

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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

Tangible Personal and Public Utility Personal	\$ 59,949,078
Public Utility Real and Real Estate	<u>547,999,560</u>
Total Assessed Property Value	<u>\$607,948,638</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2001. Although total property tax collection for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operation. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$3,654,528 and is recognized as revenue.

**6. FIXED ASSETS**

Changes in general fixed assets during the fiscal year ended June 30, 2001, were as follows:

	<b>Balance July 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30</b>
Land	\$ 2,070,897	\$ 0	\$ 0	\$ 2,070,897
Building	23,599,173	0	0	23,599,173
Equipment	<u>7,075,659</u>	<u>252,229</u>	<u>131,087</u>	<u>7,196,801</u>
Totals	<u>\$32,745,729</u>	<u>\$252,229</u>	<u>\$131,087</u>	<u>\$32,866,871</u>

A summary of the Proprietary Fund Fixed Assets at June 30, 2001, follows:

Furniture and Equipment	\$ 698,648
Less Accumulated Depreciation	<u>(509,167)</u>
Net Fixed Assets - Proprietary Fund	<u>\$189,481</u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Life Insurance**

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

**C. Early Retirement Incentive**

The School District provides an Early Retirement incentive program. Participation is open to all employees.

Certificated employees must retire in the first year in which they become eligible to retire. Notice must be given to the Board of Education no later than April 1, with a retirement date of no later than August 1. The incentive is equal to 50 percent of the employee's accumulated sick leave, not to exceed \$21,218 per agreement.

Classified employees must retire in the first year in which they become eligible to retire. Notice must be given to the Board of Education no later than April 1, with a retirement date of July 1. The incentive is equal to 50 percent of the employee's accumulated sick leave, not to exceed \$7,500 or \$8,000 depending on bargaining unit.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the Huber Heights City School District is required to contribute 14 percent; 4.2 percent was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$754,134, \$789,894 and \$748,296 respectively

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the Huber Heights City School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$2,936,340, \$3,058,992, and \$3,066,816 respectively.

**9. POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$1,677,909 during the fiscal year. In the year ended June 30, 2000, eligible benefit recipients totaled \$99,011. For the fiscal ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members' pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$455,174 during the fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340.

**10. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$84,903,864 for property. Property has a \$1,000 deductible. Vehicle insurance is covered by Indiana Insurance for General liability insurance is under Indiana Insurance. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. An additional "umbrella" policy has \$10,000,000 per occurrence and \$10,000,000 aggregate limit. The superintendent, treasurer, messengers, athletic director and all principals are bonded.

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

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

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. OPERATION LEASES DISCLOSURE**

The District has entered into operating lease agreements for copiers. The total costs for such leases were \$128,130. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General</u> <u>Long-Term Debt</u>
2002	\$ 25,626
2003	25,626
2004	25,626
2005	25,626
2005	<u>8,542</u>
Total	<u>\$111,046</u>

**12. LONG-TERM OBLIGATIONS**

Long term obligations at June 30, 2001, were as follows:

	<b>General Long-Term Obligations</b>			<b>Balance</b> <b>June 30</b>
	<b>Balance</b> <b>July 1</b>	<b>Increase</b>	<b>Decrease</b>	
Accrued Wages/Benefits	\$ 280,050	\$ 0	\$ 35,148	\$ 244,902
Operating Lease Payable	0	128,130	17,084	111,046
Compensated Absences	2,662,426	0	70,898	2,591,528
Energy Conservation Notes (5.02%-Avg.)	<u>1,349,581</u>	<u>0</u>	<u>249,763</u>	<u>1,099,818</u>
Totals	<u>\$ 4,292,057</u>	<u>\$128,130</u>	<u>\$372,893</u>	<u>\$4,047,294</u>

The energy conservation notes were issued on April 1, 1994, November 1, 1996, and August 7, 1998 are being repaid from the General Fund.

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

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire the District's long-term obligations outstanding at June 30, 2001, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 253,420	\$ 48,693	\$ 302,113
2003	187,259	38,478	225,737
2004	191,287	29,150	220,437
2005	184,202	19,624	203,826
2006	94,550	12,226	106,776
2007	94,550	7,569	102,119
2008	<u>94,550</u>	<u>2,911</u>	<u>97,461</u>
Total	<u>\$1,099,818</u>	<u>\$158,651</u>	<u>\$1,258,469</u>

**13. SEGMENT INFORMATION**

The School District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Latchkey. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the District for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$1,451,204	\$ 187,302	\$133,855	\$1,772,361
Operating Expenses Before Depreciation	1,931,137	210,281	146,244	2,287,662
Depreciation Expense	25,567	0	0	25,567
Operating Income (Loss)	(505,500)	(22,979)	(12,389)	(540,868)
Donated Commodities	118,543	0	0	118,543
Operating Grants	459,177	0	0	459,177
Net Income (Loss)	72,220	(22,979)	(12,389)	36,852
Net Working Capital	(37,539)	96,329	79,710	138,500
Total Assets	316,220	105,888	91,376	513,484
Total Liabilities	164,278	9,559	11,666	185,503
Total Equity	151,942	96,329	79,710	327,981

**14. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Dayton Educational Computer Association** - The School District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. 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  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (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 school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$21,585 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**Southwestern Ohio Educational Purchasing Council** - The School District participated in the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All members districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from SPEPC 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 this one-year period.

Payments to SOEPC are made from the general fund. During fiscal year 2001, the School District paid \$3,215 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

**Southwestern Ohio Instructional Technology Association** – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation 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 with the 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 elect two representatives per area. All others elect one representative per area. All Superintendents except for those from educational services centers vote on the representatives after nominating committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher educational representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All members districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2001, the District paid \$2,961 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, and Ohio 45005.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. INSURANCE PURCHASING POOL**

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust - The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage, which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In Fiscal year 2001, The Huber Heights City School District contributed \$3,302,458 which represented 6.08 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, Ohio 45424.

**16. CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of the management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

**B. Litigation**

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

**17. STATE SCHOOL FUNDING DECISION**

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

A change in the school districts that are basis for deterring the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. STATE SCHOOL FUNDING DECISION (Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 29, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**18. 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, 2001, the reserve activity (cash-basis) was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2000	\$ 824,375	\$ 0	\$570,865	\$ 1,395,240
Current Year Set-aside Requirement	905,088	905,088	0	1,810,176
Current Year Offsets	0	(720,768)	0	(720,768)
Qualifying Disbursements	<u>(597,331)</u>	<u>(814,672)</u>	<u>0</u>	<u>(1,412,003)</u>
Total	<u>\$ 307,757</u>	<u>\$(630,352)</u>	<u>\$570,865</u>	<u>\$(1,072,645)</u>
Balance Carried Forward to Fiscal Year 2002	<u>\$1,132,132</u>	<u>\$ 0</u>	<u>\$570,865</u>	<u>\$ 1,702,997</u>

The Board of Education has not taken any action with their Budget Reserve as January 29, 2002. Therefore, the District will have a reserve for textbooks of \$1,132,132 and a reserve for Budget Stabilization of \$570,865.

**19. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues. At June 30, 2000, there was no effect on fund balance as result of implementing GSAB 33 and GASB 36.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**20. PRIOR PERIOD ADJUSTMENTS**

The beginning fixed asset balance of the general fixed asset group and the beginning retained earnings balance of the food service enterprise fund have been adjusted for corrections to the fixed asset detail as follows:

General Fixed Asset Account Group:

Balance previously stated, June 30, 2000	\$32,627,976
Prior Period Adjustment	<u>117,753</u>
As restated, July 1, 2000	<u><u>\$32,745,729</u></u>

Enterprise Fund:

Balance previously state, June 30, 2000	\$ 649,703
Prior Period Adjustment	<u>15,000</u>
As restated, July 1, 2000	664,703
Accumulated Depreciation, June 30, 2000	(455,418)
Prior Period Adjustment to Accumulated Depreciation	<u>( 28,182)</u>
As restated, July 1, 2000	<u><u>\$ 181,103</u></u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. Department of Agriculture</b>						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$123,304		\$114,867
School Breakfast Program	05-PU-1999	10.553	\$444		\$444	
	05-PU-2000		8,469		8,469	
	05-PU-2001		<u>21,679</u>		<u>21,679</u>	
Total School Breakfast Program			<u>30,593</u>		<u>30,593</u>	
Special Milk Program	02-PU-2000	10.556	349		349	
	02-PU-2001		<u>1,214</u>		<u>1,214</u>	
Total Special Milk Program			<u>1,563</u>		<u>1,563</u>	
Summer Food Service	24-PU-2000	10.559	10,025		10,025	
	23-PU-2000		<u>12,752</u>		<u>12,752</u>	
Total Summer Food Service			<u>22,777</u>		<u>22,777</u>	
National School Lunch Program	LL-P1-2000	10.555	63,772		63,772	
	LL-P4-2000		30,440		30,440	
	LL-P1-2001		197,317		197,317	
	LL-P4-2001		<u>93,492</u>		<u>93,492</u>	
Total National School Lunch Program			<u>385,022</u>		<u>385,022</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>439,955</u>	<u>123,304</u>	<u>439,955</u>	<u>114,867</u>
<b>U.S. Department of Education</b>						
<i>(Passed through Ohio Department of Education)</i>						
Title I - Education Consolidation Improvement Act	C1-S1-99C	84.010	46,838		46,837	
	C1-S1-99				51,755	
	C1-S1-00		60,835		96,979	
	C1-S1-00C		22,693		12,311	
	C1-S1-01		<u>278,500</u>		<u>203,643</u>	
Total Title I			<u>408,866</u>		<u>411,525</u>	
Special Education Cluster:						
Special Education Grant to State Title VI-B Flow Thru	6B-SF-99	84.027	89,247		89,247	
	6B-SF-00		<u>424,281</u>		<u>336,723</u>	
Total Title VI-B			<u>513,528</u>		<u>425,970</u>	
Preschool Susidy Flowthru	PG-S1-99	84.173	16,151		16,260	
	PG-S1-00		<u>41,186</u>		<u>34,568</u>	
Total Preschool Subsidy Flowthru			<u>57,337</u>		<u>50,828</u>	
Total Special Education Cluster			<u>570,865</u>		<u>476,798</u>	



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. Department of Education (Continued)</b>						
Immigrant Grant	E1-S1-00	84.162			3,332	
Drug Free Schools	DR-S1-01	84.186	8,737		8,737	
	DR-S1-00				9,000	
Total Drug Free Schools			8,737		17,737	
Goals 2000	G2-S2-00	84.276	36,000		2,166	
	G2-S2-99				10,412	
	G2-S2-01		25,000		309	
Total Goals 2000			61,000		12,887	
Eisenhower Professional Development Grant Title II Part B	MS-S1-01	84.281	22,257		22,257	
	MS-S1-00				15,828	
Total Eisenhower Professional Development			22,257		38,085	
Innovative Education Program Strategies	C2-S1-99C	84.298	5,986		5,986	
	C2-S1-00				21,865	
	C2-S1-01		37,860		34,514	
Total Innovative Education Program Strategies			43,846		62,365	
Title VI-R Class Size Reduction Program	CR-S1-00	84.340	26,883		18,709	
	CR-S1-01		87,614		54,639	
Total Title VI-R			114,497		73,348	
<i>(Direct Receipts from U.S. Department of Education)</i>						
Impact Aid - Maintenance and Operations		84.041	30,908		26,973	
Total U.S. Department of Education			1,260,976		1,123,050	
<b>U.S. Department of Health and Human Services</b>						
<i>(Passed through Montgomery County Educational Service Center)</i>						
Title XIX (CAFS)		93.778	22,511		22,511	
<b>Total Federal Programs</b>			<b>\$1,723,442</b>	<b>\$123,304</b>	<b>\$1,585,516</b>	<b>\$114,867</b>

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures (the schedule) is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - BREAKFAST, LUNCH, SUMMER FOOD SERVICE PROGRAMS**

Federal funds received from the U.S. Department of Agriculture are commingled with state subsidy and local revenue. It was assumed that federal dollars were expended first.

**NOTE C - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. As of June 30, 2001, the District had no significant food commodities in inventory.

**NOTE D - MATCHING REQUIREMENTS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of Huber Heights City School District, Montgomery County, ("the District") as of and for the year ended June 30, 2001, and have issued our report thereon dated January 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 29, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10357-001.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2001-10357-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 29, 2002.

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

**Jim Petro**  
Auditor of State

January 29, 2002



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Huber Heights City School District, Montgomery County, ("the District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 which is described in the accompanying schedule of findings as item 2001-10357-002. We also noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 29, 2002.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**Jim Petro**  
Auditor of State

January 29, 2002

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FISCAL YEAR ENDED JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	- Title I Grants to Local Educational Agencies CFDA # 84.010 - Special Education Cluster CFDA # 84.027, 84.173
<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>	Yes

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

**FINDING NUMBER 2001-10357-001**

Student and District Managed Activity and Student Activity Monitoring Controls and Records Maintenance:

The Districts activity fund handbook requires the usage and approval of Activity Purpose and Activity Budget Statements, and Sales Project Potential Forms. Review of the Student Managed accounts indicated that 65 percent of the activities purpose and budget statements were not approved by the Superintendent, 46 percent of the activities did not have completed and approved sales potential forms on file, and 83 percent did not have a completed sales report form/reconciliation. Review of the District Managed accounts indicated purpose and budget statements were not completed for 26 percent of the activity accounts. Fifty-two percent of the purpose and budget statements were not approved by the Superintendent, 26 percent of the activities did not have completed and approved sales potential forms on file, and 68 percent of the sales report forms were not completed for the activities.

To maintain proper control, activity purpose and budget statements should be completed to explain how the money will be raised and for what activities it will be used. The Principal and Superintendent should review and approve the statements as an additional monitoring control. The advisors should also complete the sales project potential forms and sales report forms/reconciliations for each project/fundraiser to verify that all revenue was collected and posted to the proper account.

Also, a review of the Student and District Managed activity records disclosed that records were either incomplete or had not been maintained for the following activities:

- High School DECA 1 (insufficient records)
- High School Market (no records)
- High School Student Council (insufficient records)
- High School Yearbook (insufficient records)
- Class of 2002 (no records)
- High School Cheerleaders (insufficient records)
- Rushmore PSS Fund (insufficient records)

This situation limits the controls and accountability over receipts and increases the possibility of funds being diverted for personal use and the possibility that errors and irregularities may not be detected in a timely manner by the advisor and administration. To improve the controls over this system, a uniform detailed journal should be maintained for each student activity club. These journals should include all beginning and ending balances, receipts and pay-ins made, as well as a reconciliation with the Treasurer's records. Sales Potential Project Forms should be filled out before and after the sales project and the Treasurer should reconcile the information back to the source documents. All source documents should be maintained such as duplicate pre-numbered receipts, detail records showing the amount each student sold for the fund raiser, inventory of points awarded to students, adequate documentation maintained for concession sales including the specific items sold, the quantity, the price each item was sold for, and the price to support the amounts collected for that event, and the amount of spoilage or returns. Also, all records are the property of the school district and shall not be removed, destroyed, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.



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

**Finding Number 2001-10357-001 (Continued)**

Several instances were found where Athletic Event ticket tally summaries were not maintained and several instances where ticket numbers were not recorded for gate and pre-sale tickets. In order to provide accountability for those receiving admission receipts, ticket summary sheets should be maintained for each athletic event. The person who sells these tickets should record a beginning and ending ticket number for pre-sale and regular price tickets used for that competition and record it on a ticket summary sheet. This ticket summary should be reconciled to receipts collected by someone independent of the collection process.

**3. FINDINGS FOR FEDERAL COMPLIANCE**

**FINDING NUMBER 2001-10357-002**

**34 CFR sections 76.704 through 76.707** states that the LEAs must obligate Title VI-B and Title I funds during the 27 months, extending from July 1 through September 30 of the second following fiscal year. This maximum period includes a 15 month period of availability plus a 12 month period for carryover. The District expended Title VI-B funds for the fiscal year 2000 project five months after the period of availability ended, and expended Title I funds for the fiscal year 1999 project nine months after the period of availability ended.

Expenditure reports are due no later than 60 days after the end of the project period, and are to include actual expenditures authorized by the approved project application and charges to the project special cost center. The District filed an expenditure report for Title VI-B on February 16, 2001, for the 2000 project period. This report was submitted three months after it was required to be filed, and included an expenditure totaling \$37,900 in retirement fringe benefits that was not paid until February 21, 2001. The District also filed an expenditure report for Title I on March 28, 2001, for the 2000 project period. This report was submitted four months after it was required to be filed, and contained an expenditure totaling \$63,075 in retirement fringe benefits that was not paid until June 27, 2001.

In order to prevent the loss of future federal funding and/or the return of the federal funds expended after the availability period, the District should develop and implement procedures to improve compliance with requirements to expend program funds in the available period and report program activity promptly and accurately to the Ohio Department of Education.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 & .315(c)  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2001-10357-001	District administration plans to review activity handbook with activity advisors and the high school principal. The District Treasurer's office will monitor athletic event pay-ins to see that ticket tallies are attached.	To be implemented immediately	Freda Ferguson, Treasurer
2001-10357-002	Treasurer's office will work with the program supervisors to improve compliance with the filing requirements.	To be implemented for current year programs	Freda Ferguson, Treasurer



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**HUBER HEIGHTS CITY SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2002**