



**Auditor of State
Betty Montgomery**

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types and Account Groups – June 30, 2002	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund For the Fiscal Year Ended June 30, 2002	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types For the Fiscal Year Ended June 30, 2002	7
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types For the Fiscal Year Ended June 30, 2002	10
Combined Statement of Cash Flows – All Proprietary Fund Types For the Fiscal Year Ended June 30, 2002	11
Notes to the General Purpose Financial Statements.....	13
Schedule of Federal Awards Expenditures For the Fiscal Year Ended June 30, 2002.....	35
Notes to the Schedule of Federal Awards Expenditures	37
Independent Accountants Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings.....	43
Schedule of Prior Audit Findings.....	45

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 the Huber Heights City School District, Montgomery County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2003, 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.

The accompanying schedule of federal awards expenditures is presented for 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. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2003

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HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Fund	Funds	Fund	Funds
<u>Assets and Other Debits:</u>				
<i>Assets:</i>				
Cash and Cash Equivalents	\$11,856,849	\$1,031,827	\$69,782	\$1,395,945
Investments	1,484,008	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	21,212,722	0	0	752,432
Accounts	20,825	0	0	0
Intergovernmental	0	274,982	0	0
Inventory of Supplies at Cost	394,408	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	1,902,762	0	0	0
Cash with Fiscal Agents	0	13,004	21,206	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$36,871,574</u>	<u>\$1,319,813</u>	<u>\$90,988</u>	<u>\$2,148,377</u>
<u>Liabilities, Equity and Other Credits:</u>				
<i>Liabilities:</i>				
Accounts Payable	\$329,167	\$57,847	\$0	\$17,876
Accrued Wages and Benefits	3,703,607	127,948	0	0
Intergovernmental Payables	1,688,643	9,268	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	19,517,030	0	0	688,638
Deferred Revenue	0	119,835	21,206	0
Energy Conservation Notes Payable	0	0	0	0
Compensated Absences Payable	146,539	0	0	0
Total Liabilities	<u>25,384,986</u>	<u>314,898</u>	<u>21,206</u>	<u>706,514</u>
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
<i>Fund Balances:</i>				
Reserved for Encumbrances	2,548,192	225,018	0	840,527
Reserved for Property Taxes	1,695,692	0	0	63,794
Statutory Reserves	1,902,762	0	0	0
Reserved for Supplies Inventory	394,408	0	0	0
Reserved for Debt Service	0	0	69,782	0
<i>Unreserved:</i>				
Undesignated	4,945,534	779,897	0	537,542
Total Equity and Other Credits	<u>11,486,588</u>	<u>1,004,915</u>	<u>69,782</u>	<u>1,441,863</u>
Total Liabilities, Equity and Other Credits	<u>\$36,871,574</u>	<u>\$1,319,813</u>	<u>\$90,988</u>	<u>\$2,148,377</u>

The notes to the general purpose financial statements are an integral part of this statement.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		<i>Totals (Memorandum Only)</i>
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$233,323	\$158,975	\$0	\$0	\$14,746,701
0	0	0	0	1,484,008
0	0	0	0	21,965,154
9,719	0	0	0	30,544
68,723	0	0	0	343,705
9,236	0	0	0	403,644
0	0	0	0	1,902,762
0	0	0	0	34,210
122,735	0	32,928,607	0	33,051,342
0	0	0	69,782	69,782
0	0	0	3,372,393	3,372,393
<u>\$443,736</u>	<u>\$158,975</u>	<u>\$32,928,607</u>	<u>\$3,442,175</u>	<u>\$77,404,245</u>
\$63,180	\$4,366	\$0	\$0	\$472,436
39,448	0	0	0	3,871,003
108,779	0	0	265,130	2,071,820
0	148,174	0	0	148,174
0	0	0	0	20,205,668
0	0	0	0	141,041
0	0	0	846,398	846,398
37,054	0	0	2,330,647	2,514,240
<u>248,461</u>	<u>152,540</u>	<u>0</u>	<u>3,442,175</u>	<u>30,270,780</u>
0	0	32,928,607	0	32,928,607
80,000	0	0	0	80,000
115,275	0	0	0	115,275
0	73	0	0	3,613,810
0	0	0	0	1,759,486
0	0	0	0	1,902,762
0	0	0	0	394,408
0	0	0	0	69,782
0	6,362	0	0	6,269,335
<u>195,275</u>	<u>6,435</u>	<u>32,928,607</u>	<u>0</u>	<u>47,133,465</u>
<u>\$443,736</u>	<u>\$158,975</u>	<u>\$32,928,607</u>	<u>\$3,442,175</u>	<u>\$77,404,245</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$18,430,994	\$0	\$0	\$661,359	\$0	\$19,092,353
Tuition	186,345	0	0	0	0	186,345
Transportation Fees	241,450	0	0	0	0	241,450
Investment Earnings	349,235	(2,433)	0	0	213	347,015
Extracurricular Activities	98,335	417,739	0	0	0	516,074
Class Materials and Fees	20,354	0	0	0	0	20,354
Intermediate Sources	204,155	0	0	0	12,000	216,155
Intergovernmental - State	25,953,623	730,253	0	214,092	0	26,897,968
Intergovernmental - Federal	89,227	1,132,087	0	0	0	1,221,314
All Other Revenues	305,783	27,000	0	0	1,131	333,914
Total Revenues	45,879,501	2,304,646	0	875,451	13,344	49,072,942
Expenditures:						
Current:						
Instruction	28,652,599	868,358	0	400,217	16,305	29,937,479
Supporting Services:						
Pupils	2,109,006	111,893	0	0	0	2,220,899
Instructional Staff	1,703,346	307,189	0	0	0	2,010,535
Board of Education	16,170	0	0	0	0	16,170
Administration	3,055,768	67,962	0	0	0	3,123,730
Fiscal Services	789,831	0	0	10,467	0	800,298
Business	677,413	0	0	0	0	677,413
Operation and Maintenance of Plant	4,378,155	5,396	0	0	0	4,383,551
Pupil Transportation	2,259,985	20,464	0	21,643	0	2,302,092
Central	424,842	10,184	0	0	0	435,026
Community Services	0	374,291	0	0	0	374,291
Extracurricular Activities	488,672	298,238	0	0	0	786,910
Capital Outlay	0	0	0	829,646	0	829,646
Debt Service:						
Principal Retirement	253,420	0	0	0	0	253,420
Interest and Fiscal Charges	49,263	0	0	0	0	49,263
Total Expenditures	44,858,470	2,063,975	0	1,261,973	16,305	48,200,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,021,031	240,671	0	(386,522)	(2,961)	872,219
Fund Balance Beginning of Year	10,437,783	764,244	69,782	1,828,385	9,396	13,109,590
Increase in Inventory Reserve	27,774	0	0	0	0	27,774
Fund Balance End of Year	<u>\$11,486,588</u>	<u>\$1,004,915</u>	<u>\$69,782</u>	<u>\$1,441,863</u>	<u>\$6,435</u>	<u>\$14,009,583</u>

The notes to the general purpose financial statements are an integral part of this statement.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$20,250,296	\$20,250,296	\$0	\$0	\$0	\$0
Tuition	186,785	186,785	0	0	0	0
Transportation Fees	241,450	241,450	0	0	0	0
Investment Earnings	348,806	348,806	0	0	0	0
Extracurricular Activities	98,335	98,335	0	417,739	417,739	0
Class Materials and Fees	20,354	20,354	0	0	0	0
Intermediate Sources	204,155	204,155	0	0	0	0
Intergovernmental - State	25,953,623	25,953,623	0	642,303	642,303	0
Intergovernmental - Federal	89,227	89,227	0	1,064,890	1,064,890	0
All Other Revenues	145,973	145,973	0	2,000	2,000	0
Total Revenues	47,539,004	47,539,004	0	2,126,932	2,126,932	0
Expenditures:						
Current:						
Instruction	28,587,507	28,539,587	47,920	1,069,876	991,612	78,264
Supporting Services:						
Pupils	2,146,300	2,146,229	71	124,897	121,690	3,207
Instructional Staff	1,693,726	1,693,721	5	346,240	321,795	24,445
Board of Education	17,000	16,139	861	0	0	0
Administration	3,198,601	3,198,597	4	73,362	69,432	3,930
Fiscal Services	780,189	806,706	(26,517)	0	0	0
Business	1,532,443	1,531,934	509	0	0	0
Operation and Maintenance of Plant	5,037,101	5,037,003	98	596	565	31
Pupil Transportation	2,338,059	2,319,840	18,219	20,957	20,464	493
Central	409,600	409,040	560	13,717	13,587	130
Community Services	0	0	0	480,077	466,913	13,164
Extracurricular Activities	484,000	483,121	879	329,139	324,602	4,537
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	253,000	253,420	(420)	0	0	0
Interest and Fiscal Charges	50,000	49,263	737	0	0	0
Total Expenditures	46,527,526	46,484,600	42,926	2,458,861	2,330,660	128,201
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,011,478	1,054,404	42,926	(331,929)	(203,728)	128,201
Other Financing Sources (Uses):						
Refund of Prior Years' Receipts	(3,080)	(2,968)	112	0	(17,804)	(17,804)
Refund of Prior Years' Expenditures	0	147,498	147,498	25,000	25,000	0
Total Other Financing Sources (Uses)	(3,080)	144,530	147,610	25,000	7,196	(17,804)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,008,398	1,198,934	190,536	(306,929)	(196,532)	110,397
Fund Balance at Beginning of Year	9,157,911	9,157,911	0	786,641	786,641	0
Prior Year Encumbrances	2,117,706	2,117,706	0	173,557	173,557	0
Fund Balance at End of Year	\$12,284,015	\$12,474,551	\$190,536	\$653,269	\$763,666	\$110,397

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$0	\$0	\$0	\$737,099	\$737,099	\$0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Class Materials and Fees	0	0	0	0	0	0
Intermediate Sources	0	0	0	0	0	0
Intergovernmental - State	0	0	0	214,092	214,092	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	0	0	0	951,191	951,191	0
Expenditures:						
Current:						
Instruction	0	0	0	512,625	411,110	101,515
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	10,910	10,467	443
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	22,560	21,643	917
Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	1,996,000	1,789,527	206,473
<i>Debt Service:</i>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	0	0	0	2,542,095	2,232,747	309,348
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	0	0	0	(1,590,904)	(1,281,556)	309,348
Other Financing Sources (Uses):						
Refund of Prior Years' Receipts	0	0	0	0	0	0
Refund of Prior Years' Expenditures	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	0	0	0	(1,590,904)	(1,281,556)	309,348
Fund Balance at Beginning of Year	69,782	69,782	0	637,796	637,796	0
Prior Year Encumbrances	0	0	0	1,181,302	1,181,302	0
Fund Balance at End of Year	\$69,782	\$69,782	\$0	\$228,194	\$537,542	\$309,348

(Continued)

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

<i>Totals (Memorandum Only)</i>			
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$20,987,395	\$20,987,395	\$0
Tuition	186,785	186,785	0
Transportation Fees	241,450	241,450	0
Investment Earnings	348,806	348,806	0
Extracurricular Activities	516,074	516,074	0
Class Materials and Fees	20,354	20,354	0
Intermediate Sources	204,155	204,155	0
Intergovernmental - State	26,810,018	26,810,018	0
Intergovernmental - Federal	1,154,117	1,154,117	0
All Other Revenues	147,973	147,973	0
Total Revenues	50,617,127	50,617,127	0
Expenditures:			
Current:			
Instruction	30,170,008	29,942,309	227,699
Supporting Services:			
Pupils	2,271,197	2,267,919	3,278
Instructional Staff	2,039,966	2,015,516	24,450
Board of Education	17,000	16,139	861
Administration	3,271,963	3,268,029	3,934
Fiscal Services	791,099	817,173	(26,074)
Business	1,532,443	1,531,934	509
Operation and Maintenance of Plant	5,037,697	5,037,568	129
Pupil Transportation	2,381,576	2,361,947	19,629
Central	423,317	422,627	690
Community Services	480,077	466,913	13,164
Extracurricular Activities	813,139	807,723	5,416
Capital Outlay	1,996,000	1,789,527	206,473
Debt Service:			
Principal Retirement	253,000	253,420	(420)
Interest and Fiscal Charges	50,000	49,263	737
Total Expenditures	51,528,482	51,048,007	480,475
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(911,355)	(430,880)	480,475
Other Financing Sources (Uses):			
Refund of Prior Years' Receipts	(3,080)	(20,772)	(17,692)
Refund of Prior Years' Expenditures	25,000	172,498	147,498
Total Other Financing Sources (Uses)	21,920	151,726	129,806
Excess (Deficiency) of Revenues			
and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(889,435)	(279,154)	610,281
Fund Balance at Beginning of Year	10,652,130	10,652,130	0
Prior Year Encumbrances	3,472,565	3,472,565	0
Fund Balance at End of Year	\$13,235,260	\$13,845,541	\$610,281

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Tuition and Fees	\$327,175
Sales	1,473,040
Total Operating Revenues	1,800,215
<u>Operating Expenses:</u>	
Salaries and Wages	884,703
Fringe Benefits	328,053
Contractual Services	93,398
Materials and Supplies	1,160,461
Depreciation	25,208
Other Operating Expenses	4,879
Total Operating Expenses	2,496,702
Operating Loss	(696,487)
<u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	117,366
Operating Grants	485,534
Investment Earnings	2,419
Total Non-Operating Revenues (Expenses)	605,319
Net Loss	(91,168)
Restated Retained Earnings at Beginning of Year (Note 2)	206,443
Retained Earnings at End of Year	\$115,275

The notes to the general purpose financial statements are an integral part of this statement.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Tuition and Fee Payments	\$320,078
Cash Received from Charges for Services	1,477,234
Cash Payments for Goods and Services	(1,110,404)
Cash Payments to Employees for Services and Benefits	(1,163,084)
Net Cash Used for Operating Activities	<u>(476,176)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>478,811</u>
Net Cash Provided by Noncapital Financing Activities	<u>478,811</u>
 <u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>2,419</u>
Net Cash Provided by Investing Activities	<u>2,419</u>
 Net Increase in Cash and Cash Equivalents	 5,054
Cash and Cash Equivalents at Beginning of Year	<u>228,269</u>
Cash and Cash Equivalents at End of Year	<u><u>\$233,323</u></u>
 <u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$696,487)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	25,208
Donated Commodities Used During the Year	117,366
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,609)
Decrease in Inventory	17,388
Increase in Accounts Payable	35,589
Decrease in Accrued Wages and Benefits	(49,244)
Increase in Intergovernmental Payables	108,779
Decrease in Deferred Revenue	(22,303)
Decrease in Compensated Absences	(9,863)
Total Adjustments	<u>220,311</u>
Net Cash Used for Operating Activities	<u><u>(\$476,176)</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

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HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Huber Heights City School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 302 non-certified and approximately 466 certified teaching personnel and administrative employees providing education to 6,888 students.

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

The District is associated with 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.

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

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

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

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and an agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

C. Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2002, of which are not intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

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

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$1,021,031	\$240,671	\$0	(\$386,522)
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(1,716,946)	(152,714)	0	(63,794)
Accrued Revenues at June 30, 2001, received during FY 2002	3,521,159	0	0	139,534
Accrued Expenditures at June 30, 2002, paid during FY 2003	5,867,956	195,063	0	17,876
Accrued Expenditures at June 30, 2001, paid during FY 2002	(4,725,627)	(202,391)	0	(130,247)
Encumbrances Outstanding at June 30, 2002	<u>(2,768,639)</u>	<u>(277,161)</u>	<u>0</u>	<u>(858,403)</u>
Budget Basis	<u>\$1,198,934</u>	<u>(\$196,532)</u>	<u>\$0</u>	<u>(\$1,281,556)</u>

E. Cash and Cash Equivalents

During fiscal year 2002, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, and repurchase agreements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 4, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. Capital contributions received from other governments and private sources subsequent to fiscal year 2001 are recorded as revenues and reported as increases to retained earnings. Capital contributions from other funds are still reported as additions to contributed capital. There was no change in contributed capital during fiscal year 2002.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Machinery, Equipment, Furniture and Fixtures	5-30

I. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Energy Conservation Notes	General Fund
Intergovernmental Payable	General Fund
Compensated Absences	General Fund, Food Services Fund, and Latchkey Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 20 years of current service with the School District and for certified employees and administrators after 20 years of service. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability. The remaining pension liability, if any, is recorded in the General Long-Term Obligations Account Group for governmental funds.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. There were no advances outstanding at fiscal year end.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook and instructional materials reserve. A fund balance reserve has also been established for this amount.

N. Reservations of Fund Balance

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on Combined Financial Statements - Overview

Total columns on the “Combined Financial Statements-Overview” are captioned “Memorandum Only” to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

The June 30, 2001 balance of the General Long-Term Obligations account group was restated due to an error in accounting for operating leases. As a result, the General Long-Term Obligations account group was restated from the balance previously reported of \$4,047,294 to \$3,936,248, a decrease of \$111,046. In addition, a restatement was necessary to correct errors in accounting for accumulated depreciation in the proprietary funds. The restatement resulted in the following change to the beginning retained earnings balance in the enterprise funds:

Enterprise Funds:	
Retained Earnings at 6/30/01 (as reported)	\$247,981
Fixed Asset Restatement	(41,538)
Retained Earnings at 6/30/01 (restated)	<u>\$206,443</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2002 of \$524 in the DPIA Fund, \$32 in the Emergency Immigrant Grant Fund and \$2,650 in the Preschool Grant Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District’s name.
- Category 2 Collateralized with securities held by the pledging financial institution’s trust department or agent, in the District’s name.
- Category 3 Collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District’s name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District’s name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

A. Deposits

At year end the carrying amount of the District’s deposits was \$440,239 and the bank balance was \$684,584. Federal depository insurance covered \$261,028 of the bank balance. All remaining deposits were classified as Category 3.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2002 were as follows:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreements	\$0	\$0	\$12,245,823	\$12,245,823	\$12,245,823
U.S. Agency Bonds and Notes	4,470,600	0	0	4,470,600	4,470,600
Commercial Paper	0	0	998,015	998,015	998,015
Total Categorized Investments	4,470,600	0	13,243,838	17,714,438	17,714,438
<u>Non-Categorized Investments</u>					
Huber Heights Education Foundation (mutual fund)	0	13,004	0	13,004	13,004
Total Non-Categorized Investments	0	13,004	0	13,004	13,004
Total Investments	\$4,470,600	\$13,004	\$13,243,838	\$17,727,442	\$17,727,442

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$16,683,673	\$1,484,008
Investments:		
Repurchase Agreements	(12,245,823)	12,245,823
U.S. Agency Bonds and Notes	(2,986,592)	2,986,592
Commercial Paper	(998,015)	998,015
Huber Heights Education Foundation	(13,004)	13,004
Per GASB Statement No. 3	\$440,239	\$17,727,442

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1993, and equalization adjustments were made in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

NOTE 5 - PROPERTY TAXES (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. 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 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Huber Heights City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2002 receipts were based are:

Agricultural/Residential and Other Real Estate	\$557,387,310
Public Utility Personal	14,682,780
Tangible Personal Property	44,858,005
Total Assessed Value	<u>\$616,928,095</u>
Tax rate per \$1,000 of assessed valuation	\$56.67

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 7 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 2002:

Class	June 30, 2001	Additions	Deletions	June 30, 2002
Land and Improvements	\$2,070,897	\$0	\$0	\$2,070,897
Buildings and Improvements	23,599,173	0	0	23,599,173
Machinery and Equipment	7,196,801	227,848	(166,112)	7,258,537
Totals	<u>\$32,866,871</u>	<u>\$227,848</u>	<u>(\$166,112)</u>	<u>\$32,928,607</u>

B. Proprietary Fixed Assets

Summary by Category at June 30, 2002:

Category	Historical Cost	Accumulated Depreciation	Book Value
Enterprise	<u>\$698,648</u>	<u>(\$575,913)</u>	<u>\$122,735</u>
Total Property, Plant and Equipment	<u>\$698,648</u>	<u>(\$575,913)</u>	<u>\$122,735</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2002, 5.46% was allocated to fund the pension benefit and 8.54% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$868,488, \$754,134, and \$789,894, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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 credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2002 employer contribution rate that was used to fund health care for the year 2002 was 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$585,109.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. Net assets available for payment of benefits at June 30, 2002 was \$335.2 million.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2002, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$3,460,704, \$2,936,340, and \$3,058,992, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2002, the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$1,112,369 for the District. The balance of the Health Care Reserve Fund was \$3.011 billion at June 30, 2002. For the fiscal year ended June 30, 2002, the net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, intergovernmental payable, and compensated absences of the District for the year ended June 30, 2002 is as follows:

		Restated Balance June 30, 2001	Issued (Retired)	Balance June 30, 2002
General Long-Term Debt:				
Energy Conservation Notes	5.02%-Avg	\$1,099,818	(\$253,420)	\$846,398
Other General Long-Term Obligations:				
Intergovernmental Payable - Accrued Pension		244,902	20,228	265,130
Compensated Absences		2,591,528	(260,881)	2,330,647
Total Other General Long-Term Obligations		<u>2,836,430</u>	<u>(240,653)</u>	<u>2,595,777</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$3,936,248</u>	<u>(\$494,073)</u>	<u>\$3,442,175</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2002 follows:

Years	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$187,259	\$38,478	\$225,737
2004	191,287	29,150	220,437
2005	184,202	22,623	206,825
2006	94,550	12,226	106,776
2007	94,550	7,569	102,119
2008	94,550	2,911	97,461
Totals	<u>\$846,398</u>	<u>\$112,957</u>	<u>\$959,355</u>

NOTE 10 – OPERATING LEASE

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

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2003	\$25,626
2004	25,626
2005	25,626
2006	8,542
Total	<u>\$85,420</u>

NOTE 11 – 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, 2002, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2001	\$1,132,132	\$0	\$570,865	\$1,702,997
Current Year Set-Aside Requirement	839,820	839,820	0	1,679,640
Qualifying Disbursements	<u>(620,467)</u>	<u>(2,619,831)</u>	<u>(19,588)</u>	<u>(3,259,886)</u>
Total	<u>\$1,351,485</u>	<u>(\$1,780,011)</u>	<u>\$551,277</u>	<u>\$122,751</u>
Cash Balance Carried Forward to FY 2003	<u>\$1,351,485</u>	<u>(\$1,780,011)</u>	<u>\$551,277</u>	<u>\$122,751</u>
Amount Restricted for Textbooks				\$1,351,485
Amount Restricted for Budget Stabilization				<u>551,277</u>
Total Restricted Assets				<u>\$1,902,762</u>

Actual capital expenditures in excess of current year accumulated set-aside requirements in the capital improvements and maintenance reserves may be carried forward to offset future year's capital improvements and maintenance reserve set-aside requirements.

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales and a Latch Key Fund. The key financial information for the year ended June 30, 2002 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Latchkey	Total
Operating Revenues	\$1,473,040	\$199,861	\$127,314	\$1,800,215
Depreciation Expense	25,208	0	0	25,208
Operating Income (Loss)	(680,819)	(11,830)	(3,838)	(696,487)
Net Income (Loss)	(75,500)	(11,830)	(3,838)	(91,168)
Operating Grants	602,900	0	0	602,900
Total Assets	241,948	133,296	68,492	443,736
Net Working Capital	(26,815)	82,428	53,981	109,594
Total Equity	60,192	82,428	52,655	195,275

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$84,903,864 for property. Property has a \$500 deductible. Both Vehicle and General liability insurance is under Indiana Insurance. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. An additional "umbrella" policy has \$10,000,000 per occurrence and \$10,000,000 aggregate limit. The superintendent, treasurer, messengers, athletic director and all principals are bonded.

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

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

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

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

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Computer Association – The District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with aid of computers and other electronic equipment to administrative instructional functions among member districts.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$122,470 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council – The District participates in the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the general fund. During fiscal year 2002, the District paid \$3,126 to SOPEC. To obtain financial information, write to 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 district political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty-seven participating school districts. The Board possesses its own budgeting and taxing authority.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the School District paid \$2,942 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 15 – INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan – The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 2002, The District contributed \$3,838,098 which represented 6.13 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is a party to legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2002.

C. State School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed, 'the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.' The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>(Passed Through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$119,615		\$117,366
School Breakfast Program	05-PU-01 05-PU-02	10.553	\$7,924 23,045 30,969		\$7,924 23,045 30,969	
National School Lunch Program	LL-P1-01 LL-P4-01 LL-P4-02	10.555	39,148 62,045 298,121 399,314		39,148 62,045 298,121 399,314	
Special Milk Program	02-PU-01 02-PU-02	10.556	412 1,304 1,716		412 1,304 1,716	
Summer Food Service	23-PU-01 24-PU-01	10.559	21,868 2,303 24,171		21,868 2,303 24,171	
Total U.S. Department of Agriculture - Nutrition Cluster			456,170	119,615	456,170	117,366
U.S. Department of Education						
<i>(Passed Through Ohio Department of Education)</i>						
Title I - Education Consolidation Improvement Act	C1-S1-01 C1-S1-02 C1-S1-99 C1-S1-01C	84.010	11,766 312,367		86,622 235,099 9,889 10,382	
Total Title I			324,133		341,992	
Special Education Cluster:						
Special Education Grant to State Title VI-B Flow Thru	6B-SF-01 6B-SF-02	84.027			87,557 350,329	
Total Title VI-B			443,868		437,886	
Preschool Subsidy Flow through	PG-S1-01 PG-S1-01C PG-S1-02	84.173			2,313 3,628 42,517	
Total Preschool			46,549		48,458	
Total Special Education Cluster			490,417		486,344	
Immigrant Grant	E1-S1-02	84.162	3,500		3,500	
Drug Free Schools	DR-S1-00 DR-S1-01 DR-S1-02	84.186	21,000		20,364	
Total Drug Free Schools			5,936 26,936		5,936 26,300	
Goals 2000	G2-S2-99 G2-S2-00 G2-S2-01	84.276			617 3,100 8,549	
Total Goals 2000					12,266	
Eisenhower Professional Development Grant Title II Part B	MS-S1-02	84.281	20,900		13,439	

(Continued)

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Education (Continued)						
<i>(Passed Through Ohio Department of Education) (Continued)</i>						
Innovative Education Program Strategies	C2-S1-01	84.298			3,346	
	C2-S1-02		39,554		25,291	
Total Innovative Education			39,554		28,637	
Class Size Reduction	CR-S1-00	84.340			17,187	
	CR-S1-01				11,768	
	CR-S1-02		105,295		77,405	
Total Class Size Reduction			105,295		106,360	
Assistive Technology	AT-S1-02	84.352A	8,242			
<i>(Direct Receipts from U.S. Department of Education)</i>						
Impact Aid - Maintenance and Operations	N/A	84.041				
PL 874 - Special Ed			12,010			
PL 874 - Special Ed			10,594		10,594	
PL 102-484 Sec 386			34,861		34,861	
Total Impact Aid			57,465		45,455	
Total Department of Education			1,076,442		1,064,293	
U.S. Department of Health and Human Services						
<i>(Passed through Montgomery County Educational Service Center)</i>						
Medicaid (CAFS)	N/A	93.778	39,945			39,945
National Endowment for the Humanities						
<i>(Direct Receipt)</i>						
Humanities Scholar in Residence	N/A	45.166	10,000			4,750
National Science Foundation						
<i>(Passed through Wright State University)</i>						
Creating Laboratory Access for Science Students	N/A	47.074	5,000			
Total Federal Assistance			\$1,587,557	\$119,615	\$1,565,158	\$117,366

See accompanying notes to the Schedule of Federal Awards Expenditures.

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SCHOOL LUNCH, BREAKFAST, SPECIAL MILK, AND SUMMER FOOD SERVICE PROGRAMS

Federal funds received from the National School Lunch, National School Breakfast, Special Milk, and Summer Food Service Programs were commingled with state subsidy and local revenue from the sale of meals. 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. At June 30, 2002, the District had a food commodities inventory in the amount of \$24,553.

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 funds is not included on the Schedule.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 7, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10357-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 7, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
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This report is intended for the information and use of the audit committee, management, the 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 (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, 2002. 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, 2002. We noted an instance of noncompliance that did not require inclusion in this report that we have reported to the management of the District in a separate letter dated February 7, 2003.

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.

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**Internal Control Over Compliance
(Continued)**

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, the 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.



Betty Montgomery
Auditor of State

February 7, 2003

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA # 84.010 Special Education Cluster, CFDA # 84.027 & 84.173 Nutrition Cluster, CFDA #10.550, 10.553, 10.555, 10.556, & 10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	2002-10357-001
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Ohio Rev. Code Section 5705.41(D)(3) states that fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Fifty-six percent of the open purchases orders examined were blanket purchase orders for supplies and equipment which ran beyond the current fiscal year and twenty percent exceeded the three month time restraint, contrary to the above section. In addition, we noted the District's outstanding purchase order listing contained blanket purchase orders dating as far back as 1997. We noted one instance where there was over forty purchase orders issued to one vendor in the same account line item. In addition, in some instances the District did not closeout some purchase orders and reissued them to use the remaining encumbered amounts.

The District should adopt procedures to improve compliance with the blanket certificate requirements which will provide for regular reviews the outstanding purchase order listing and the voidance of outstanding purchase orders that are no longer in use by the District.

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR END JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10357-001	No records for Student and District Managed Activities	Partially Corrected	Will be issued as a management letter comment in FY2002.
2001-10357-002	34 CFR 76.704 – 707 Failure to file final expenditure reports by required date.	Partially Corrected	Will be issued as a management letter Noncompliance citation in FY2002.



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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 6, 2003**