



**Auditor of State
Betty Montgomery**

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets - As of June 30, 2003.....	11
Statement of Activities – For the Fiscal Year Ended June 30, 2003	12
Fund Financial Statements:	
Balance Sheet –Governmental Funds – As of June 30, 2003.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities – June 30, 2003	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds – For the Fiscal Year Ended -June 30, 2003	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – June 30, 2003	16
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non GAAP Budgetary Basis) - General Fund For the Fiscal Year Ended -June 30, 2003	17
Statement of Fiduciary Net Assets – Fiduciary Funds – As of June 30, 2003.....	19
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – For the Fiscal Year Ended June 30, 2003	20
Notes to the Financial Statements	21
Schedule of Federal Award Expenditures for the Fiscal Year Ended June 30, 2003.....	45
Notes to the Schedule of Federal Awards Expenditures	47
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53
Schedule of Prior Audit Findings.....	55

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Huber Heights City School District, Montgomery County, (the District), as of and for the year ended June 30, 2003 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of the District as of June 30, 2003 and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2004 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 Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 20, 2004

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

The discussion and analysis of Huber Heights City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- ❑ In total, net assets increased \$1,209,395, which represents a 4% increase from 2002.
- ❑ General revenues accounted for \$47,838,073 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,585,832 or 12% of total revenues of \$54,423,905.
- ❑ The District had \$53,214,510 in expenses related to governmental activities; only \$6,585,832 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$47,838,073 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$48,141,276 in revenues and \$48,385,788 in expenditures. The general fund's fund balance decreased \$443,730 to \$11,042,858. This decrease can be attributed to large increases in expenditures for instruction and operation of maintenance and plant.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
 - To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

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

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

Fund Financial Statements

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information for the operating statement is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities		Increase (Decrease)
	2003	2002	
Current and other assets	\$42,359,993	\$40,752,038	\$1,607,955
Capital assets, Net	19,085,113	18,181,940	903,173
Total assets	61,445,106	58,933,978	2,511,128
Long-term debt outstanding	3,576,504	3,349,805	226,699
Other liabilities	26,854,824	25,779,790	1,075,034
Total liabilities	30,431,328	29,129,595	1,301,733
Net assets			
Invested in capital assets, net of related debt	17,757,862	17,197,595	560,267
Restricted	3,026,954	2,779,331	247,623
Unrestricted	10,228,962	9,827,457	401,505
Total net assets	\$31,013,778	\$29,804,383	\$1,209,395

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	<u>Governmental Activities</u>
	<u>2003</u>
Revenues	
Program revenues:	
Charges for Services and Sales	\$2,780,695
Operating Grants and Contributions	3,805,137
General revenues:	
Property Taxes	22,121,074
Grants and Entitlements	25,782,928
Other	346,431
Loss on Disposal of Capital Asset	<u>(412,360)</u>
Total revenues	54,423,905
Program Expenses	
Instruction	32,320,245
Support Services:	
Pupils	2,351,115
Instructional Staff	2,309,425
Board of Education	15,574
Administration	2,881,146
Fiscal Services	878,753
Business	662,162
Operation and Maintenance of Plant	5,420,435
Pupil Transportation	2,285,908
Central	570,205
Operation of Non-Instructional:	
Food Service Operations	2,052,684
Community Services	627,022
Extracurricular Activities	801,346
Debt Service:	
Interest and Fiscal Charges	<u>38,490</u>
Total expenses	<u>53,214,510</u>
Total Change in Net Assets	1,209,395
Beginning Net Assets	<u>29,804,383</u>
Ending Net Assets	<u>\$31,013,778</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$1,209,395. This was due mainly to increases in tax revenues and state grant monies received.

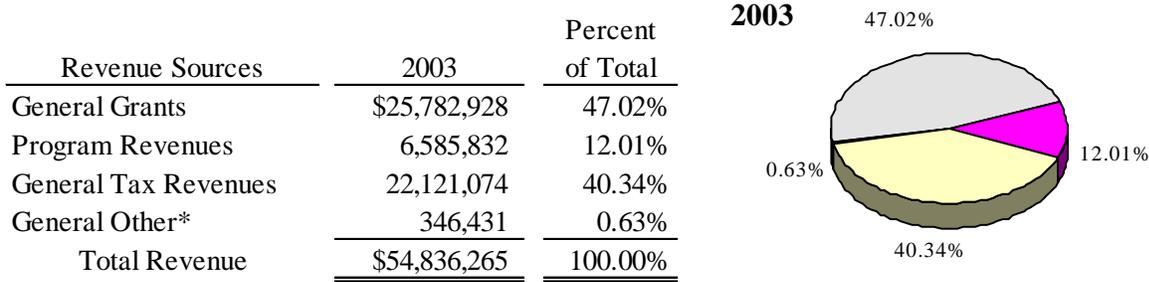
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

Property taxes made up 40% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2003. The District's reliance upon tax revenues is demonstrated by the following graph:



* Does not include loss on disposal of capital asset.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$13,489,911, which is below last year's total of \$14,108,661. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2003 and 2002.

	Fund Balance June 30, 2003	Fund Balance June 30, 2002	Increase (Decrease)
General	\$11,042,858	\$11,486,588	(\$443,730)
Other Governmental	2,447,053	2,622,073	(175,020)
Total	\$13,489,911	\$14,108,661	(\$618,750)

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

	2003 Revenues	2002 Revenues	Increase (Decrease)
Taxes	\$20,731,886	\$18,430,994	\$2,300,892
Tuition	234,027	186,345	47,682
Transportation Fees	230,919	241,450	(10,531)
Investment Earnings	261,660	349,235	(87,575)
Extracurricular Activities	102,500	98,335	4,165
Class Materials and Fees	19,204	20,354	(1,150)
Intermediate Sources	200,118	204,155	(4,037)
Intergovernmental - State	26,221,737	25,953,623	268,114
Intergovernmental - Federal	57,182	89,227	(32,045)
All Other Revenue	82,043	305,783	(223,740)
Total	\$48,141,276	\$45,879,501	\$2,261,775

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

General Fund revenues in 2003 increased approximately 5% compared to revenues in fiscal year 2002. The primary factors contributing to this increase include increases in tax revenue and state grant monies received.

	2003 <u>Expenditures</u>	2002 <u>Expenditures</u>	Increase (Decrease)
Instruction	\$30,301,862	\$28,652,599	\$1,649,263
Supporting Services:			
Pupils	2,249,244	2,109,006	140,238
Instructional Staff	1,960,035	1,703,346	256,689
Board of Education	14,047	16,170	(2,123)
Administration	3,334,407	3,055,768	278,639
Fiscal Services	879,669	789,831	89,838
Business	685,962	677,413	8,549
Operation & Maintenance of Plant	5,516,617	4,378,155	1,138,462
Pupil Transportation	2,232,279	2,259,985	(27,706)
Central	468,176	424,842	43,334
Extracurricular Activities	517,741	488,672	29,069
Debt Service			
Principal Retirement	187,259	253,420	(66,161)
Interest and Fiscal Charges	38,490	49,263	(10,773)
Total	<u>\$48,385,788</u>	<u>\$44,858,470</u>	<u>\$3,527,318</u>

The expenditures increased by \$3,527,318 or 8% compared to the prior year mostly due to increases in instruction and operation of maintenance and plant.

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

During the course of fiscal year 2003 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$48.3 million, below original budget estimates of \$48.5 million. Most of this difference was due to a decrease in personal property tax revenues and State Foundation revenues. The General Fund had an adequate fund balance to cover expenditures.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the District had \$19,085,113 net of accumulated depreciation invested in land, buildings, equipment and vehicles. The following table shows fiscal year 2002 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land	\$947,173	\$947,173	\$0
Land Improvements	1,123,724	1,123,724	0
Buildings and Improvements	23,910,346	23,877,151	33,195
Machinery and Equipment	9,361,805	8,123,535	1,238,270
Less: Accumulated Depreciation	(16,257,935)	(15,889,643)	(368,292)
Totals	\$19,085,113	\$18,181,940	\$903,173

The primary increase occurred in machinery and equipment, which was the result of the purchase of a new phone system and new computers.

Additional information on the District's capital assets can be found in Note 7.

Debt

At June 30, 2003, the District had \$3.6 million in notes, leases and compensated absences outstanding, \$324,908 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2003:

	2003	2002
Governmental Activities:		
Energy Conservation Note:		
School Improvement	\$659,139	\$846,398
Capital Leases Payable	668,112	137,947
Compensated Absences	2,249,253	2,365,460
Totals	\$3,576,504	\$3,349,805

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2003, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

ECONOMIC FACTORS

The District is strong financially, but with the passage of HB 95 the District will receive less per student than originally budgeted and with the increase in salaries and increased health care cost the District will face budget challenges in the up coming years.

The Huber Heights City School District receives approximately 53% of its funding from the State and remaining 47% from local sources. In November of 2003, the voters passed a 5.95 mil continuing replacement operating levy.

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.

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

REQUESTS FOR INFORMATION

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets ***June 30,2003***

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 13,915,790
Investments	2,503,324
Receivables:	
Taxes	22,728,669
Accounts	8,753
Intergovernmental	798,823
Inventory of Supplies at Cost	415,696
Restricted Assets:	
Cash and Cash Equivalents	1,954,317
Cash with Fiscal Agent	34,621
Capital Assets, Net	19,085,113
Total Assets	61,445,106
Liabilities:	
Accounts Payable	615,697
Accrued Wages and Benefits	4,219,557
Intergovernmental Payable	2,360,716
Deferred Revenue - Taxes	19,488,751
Deferred Revenue	21,206
Compensated Absences Payable	148,897
Long Term Liabilities:	
Due Within One Year	324,908
Due in More Than One Year	3,251,596
Total Liabilities	30,431,328
Net Assets:	
Invested in Capital Assets, Net of Related Debt	17,757,862
Restricted For:	
Capital Projects	1,512,889
Debt Service	69,782
Other Purposes	1,444,283
Unrestricted (Deficit)	10,228,962
Total Net Assets	\$ 31,013,778

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2003

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 32,320,245	\$ 610,314	\$ 2,178,980	\$ 0	\$ (29,530,951)
Support Services:					
Pupils	2,351,115	0	71,148	0	(2,279,967)
Instructional Staff	2,309,425	0	354,126	0	(1,955,299)
Board of Education	15,574	0	0	0	(15,574)
Administration	2,881,146	0	67,016	0	(2,814,130)
Fiscal Services	878,753	0	33,496	0	(845,257)
Business	662,162	0	0	0	(662,162)
Operation and Maintenance of Plant	5,420,435	0	3,306	0	(5,417,129)
Pupil Transportation	2,285,908	230,919	61,934	0	(1,993,055)
Central	570,205	0	77,941	0	(492,264)
Operation of Non-Instructional:					
Food Service Operations	2,052,684	1,423,706	564,478	0	(64,500)
Community Services	627,022	0	392,712	0	(234,310)
Extracurricular Activities	801,346	515,756	0	0	(285,590)
Debt Service:					
Interest and Fiscal Charges	38,490	0	0	0	(38,490)
Total Governmental Activities	53,214,510	2,780,695	3,805,137	0	(46,628,678)
General Revenues					
Property Taxes Levied for:					
General Purposes					21,338,436
Capital Outlay					782,638
Grants and Entitlements not Restricted to Specific Programs					25,782,928
Investment Earnings					263,561
Miscellaneous					82,870
Loss on Disposal of Capital Assets					(412,360)
Total General Revenues					47,838,073
Change in Net Assets					1,209,395
Net Assets Beginning of Year					29,804,383
Net Assets End of Year					\$ 31,013,778

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 11,346,698	\$ 2,569,092	\$ 13,915,790
Investments	2,503,324	0	2,503,324
Receivables:			
Taxes	22,076,558	652,111	22,728,669
Accounts	599	8,154	8,753
Intergovernmental	0	798,823	798,823
Inventory of Supplies at Cost	395,190	20,506	415,696
Restricted Assets:			
Cash and Cash Equivalents	1,954,317	0	1,954,317
Cash with Fiscal Agent	0	34,621	34,621
Total Assets	\$ 38,276,686	\$ 4,083,307	\$ 42,359,993
Liabilities:			
Accounts Payable	533,323	82,374	615,697
Accrued Wages and Benefits	4,066,454	153,103	4,219,557
Intergovernmental Payable	1,893,711	47,195	1,940,906
Deferred Revenue - Taxes	20,592,675	591,206	21,183,881
Deferred Revenue	0	761,144	761,144
Compensated Absences Payable	147,665	1,232	148,897
Total Liabilities	27,233,828	1,636,254	28,870,082
Fund Balances:			
Reserved for Encumbrances	1,359,968	815,566	2,175,534
Reserved for Supplies Inventory	395,190	20,506	415,696
Reserved for Debt Service	0	69,782	69,782
Reserved for Property Taxes	1,483,883	60,905	1,544,788
Reserved for Endowments	0	113	113
Statutory Reserves	1,954,317	0	1,954,317
Unreserved, Undesignated in:			
General Fund (Deficit)	5,849,500	0	5,849,500
Special Revenue Funds	0	605,587	605,587
Capital Projects Funds	0	874,594	874,594
Total Fund Balances	11,042,858	2,447,053	13,489,911
Total Liabilities and Funds Balances	\$ 38,276,686	\$ 4,083,307	\$ 42,359,993

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2003***

Total Governmental Fund Balances	\$ 13,489,911
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	19,085,113
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	2,435,068
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,996,314)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 31,013,778</u></u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 20,731,886	\$ 782,638	\$ 21,514,524
Tuition	234,027	3,085	237,112
Transportation Fees	230,919	0	230,919
Investment Earnings	261,660	1,901	263,561
Food Services	0	1,423,706	1,423,706
Extracurricular Activities	102,500	413,256	515,756
Class Materials and Fees	19,204	353,998	373,202
Intermediate Sources	200,118	401,803	601,921
Intergovernmental - State	26,221,737	659,409	26,881,146
Intergovernmental - Federal	57,182	1,427,713	1,484,895
All Other Revenue	82,043	827	82,870
Total Revenue	<u>48,141,276</u>	<u>5,468,336</u>	<u>53,609,612</u>
Expenditures:			
Current:			
Instruction	30,301,862	1,092,295	31,394,157
Supporting Services:			
Pupils	2,249,244	103,547	2,352,791
Instructional Staff	1,960,035	325,022	2,285,057
Board of Education	14,047	0	14,047
Administration	3,334,407	65,595	3,400,002
Fiscal Services	879,669	10,826	890,495
Business	685,962	0	685,962
Operation & Maintenance of Plant	5,516,617	6,830	5,523,447
Pupil Transportation	2,232,279	226,714	2,458,993
Central	468,176	101,327	569,503
Operation of Non-Instructional:			
Food Service Operations	0	2,052,684	2,052,684
Community Services	0	684,432	684,432
Extracurricular Activities	517,741	283,107	800,848
Capital Outlay	0	1,501,215	1,501,215
Debt Service:			
Principal Retirement	187,259	0	187,259
Interest & Fiscal Charges	38,490	0	38,490
Total Expenditures	<u>48,385,788</u>	<u>6,453,594</u>	<u>54,839,382</u>
Excess (Deficiency) of Revenues			
Over Expenditures	(244,512)	(985,258)	(1,229,770)
Other Financing Sources (Uses):			
Other Financing Sources - Capital Lease	0	598,968	598,968
Transfers In	0	200,000	200,000
Transfers Out	(200,000)	0	(200,000)
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>798,968</u>	<u>598,968</u>
Net Change in Fund Balance	(444,512)	(186,290)	(630,802)
Fund Balances at Beginning of Year	11,486,588	2,622,073	14,108,661
Increase (Decrease) in Inventory Reserve	782	11,270	12,052
Fund Balances End of Year	<u>\$ 11,042,858</u>	<u>\$ 2,447,053</u>	<u>\$ 13,489,911</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (630,802)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,315,533

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (412,360)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,238,705

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (342,906)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 41,225

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

Change in Net Assets of Governmental Activities \$ 1,209,395

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 21,011,658	\$ 20,943,695	\$ 20,943,695	\$ 0
Tuition	234,987	234,227	234,227	0
Transportation Fees	231,668	230,919	230,919	0
Investment Earnings	259,605	260,255	258,765	(1,490)
Extracurricular Activities	102,833	102,500	102,500	0
Class Material and Fees	19,266	19,204	19,204	0
Intermediate Sources	200,767	200,118	200,118	0
Intergovernmental - State	26,306,828	26,221,737	26,221,737	0
Intergovernmental - Federal	57,368	57,182	57,182	0
All Other Revenues	102,400	102,069	102,069	0
Total Revenues	48,527,380	48,371,906	48,370,416	(1,490)
Expenditures:				
Current:				
Instruction	33,047,410	30,349,510	30,309,574	39,936
Support Services:				
Pupils	2,334,246	2,343,846	2,296,433	47,413
Instructional Staff	1,844,374	2,136,024	2,047,554	88,470
Board of Education	20,000	15,000	14,060	940
Administration	3,513,782	3,335,282	3,301,792	33,490
Fiscal Services	1,008,397	916,397	899,743	16,654
Business	1,859,428	1,104,428	685,179	419,249
Operation and Maintenance of Plant	6,274,098	6,730,398	6,568,037	162,361
Pupil Transportation	2,319,480	2,406,780	2,391,801	14,979
Central	457,244	477,244	476,148	1,096
Extracurricular Activities	576,600	517,600	514,597	3,003
Debt Service:				
Principal Retirement	250,000	187,500	187,259	241
Interest and Fiscal Charges	70,000	38,500	38,490	10
Total Expenditures	53,575,059	50,558,509	49,730,667	827,842

(Continued)

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30,2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,047,679)	(2,186,603)	(1,360,251)	826,352
Other Financing Sources (Uses):				
Operating Transfers Out	0	(200,000)	(200,000)	0
Refund of Prior Year's Expenditures	170,448	169,897	169,897	0
Refund of Prior Year's Receipts	(8,180)	(3,180)	(2,295)	885
Total Other Financing Sources (Uses):	<u>162,268</u>	<u>(33,283)</u>	<u>(32,398)</u>	<u>885</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,885,411)	(2,219,886)	(1,392,649)	827,237
Fund Balance at Beginning of Year	12,474,551	12,474,551	12,474,551	0
Prior Year Encumbrances	2,768,639	2,768,639	2,768,639	0
Fund Balance at End of Year	<u>\$ 10,357,779</u>	<u>\$ 13,023,304</u>	<u>\$ 13,850,541</u>	<u>\$ 827,237</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2003

	<u>Private Purpose Trust</u>	
	<u>Special Trust Fund</u>	<u>Agency</u>
Assets:		
Cash and Cash Equivalents	\$ 5,350	\$ 162,179
Total Assets	<u>5,350</u>	<u>162,179</u>
Liabilities:		
Due to Students	<u>0</u>	<u>162,179</u>
Total Liabilities	<u>0</u>	<u>162,179</u>
Net Assets:		
Unrestricted	<u>5,350</u>	<u>0</u>
Total Net Assets	<u>\$ 5,350</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
	<u>Special Trust Fund</u>
Additions:	
Contributions:	
Private Donations	994
Total Contributions	994
Investment Earnings:	
Interest	348
Total Investment Earnings	348
Total Additions	1,342
Deductions:	
Community Gifts, Awards and Scholarships	2,000
Total Deductions	2,000
Change in Net Assets	(658)
Net Assets at Beginning of Year	6,008
Net Assets End of Year	<u>\$ 5,350</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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 328 non-certified and approximately 521 certified teaching personnel and administrative employees providing education to 6,826 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 Council, 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, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental and fiduciary.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (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 is the District's only major governmental fund:

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.

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

C. Basis of Presentation - Financial Statements

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

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds 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, 2003, of which are not intended to finance fiscal 2003 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, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

E. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the 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 2003.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the 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 "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	General Fund
GAAP Basis (as reported)	(\$444,512)
Increase (Decrease):	
Accrued Revenues at June 30, 2003, received during FY 2004	(1,487,806)
Accrued Revenues at June 30, 2002, received during FY 2003	1,716,946
Accrued Expenditures at June 30, 2003, paid during FY 2004	6,641,153
Accrued Expenditures at June 30, 2002, paid during FY 2003	(5,867,956)
Encumbrances Outstanding	(1,950,474)
Budget Basis	(\$1,392,649)

F. Cash and Cash Equivalents

During fiscal year 2003, 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."

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

H. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Capital Assets and Depreciation

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets are depreciated. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives (in years)</u>
Land Improvements	25
Buildings and Improvements	25 – 100
Machinery and Equipment	5 - 20

J. Long-Term Obligations

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

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

K. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee’s wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 20 years of current service with the School District and for certified employees and administrators after 20 years of service. For governmental funds, that portion of unpaid compensated absences that is expected to be paid

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

N. Interfund Activity

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

P. 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.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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.

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no special items during fiscal year 2003

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the District has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; and GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*” At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38, or Interpretation No. 6.

GASB 34 creates new basic financial statements for reporting on the Districts’ financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District’s programs between business-type and governmental activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by conversion to the accrual basis of accounting.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

B. Restatement of Fund Balance

The changes to the beginning retained earnings/fund balance, as well as the transition from fund balance to net assets of the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund Balance June 30, 2002	\$13,999,067	\$195,275
Adjustments:		
Reclassified from Enterprise Fund to Special Revenue Funds	<u>109,594</u>	<u>(109,594)</u>
Total Prior Period Adjustments	<u>109,594</u>	<u>(109,594)</u>
GASB 34 Adjustments:		
Capital Assets	18,181,940	(122,735)
Long-Term Liabilities	(3,694,633)	37,054
Long-Term (Deferred) Assets	<u>1,208,415</u>	<u>0</u>
Net Assets, June 30, 2002	<u>\$29,804,383</u>	<u>\$0</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2003 of \$48,169 in the Title VI-B Fund and \$42,751 in the Title I 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.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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

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).

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.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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

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 \$621,907 and the bank balance was \$756,553. Federal depository insurance covered \$207,342 of the bank balance. All remaining deposits were classified as Category 3.

B. Investments

The District's investments at June 30, 2003 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	\$11,465,023	\$11,465,023	\$11,465,023
U.S. Agency Bonds and Notes	5,477,036	0	0	5,477,036	5,477,036
Commercial Paper	0	0	998,200	998,200	998,200
Total Categorized Investments	5,477,036	0	12,463,223	17,940,259	17,940,259
<u>Non-Categorized Investments</u>					
Huber Heights Education Foundation (mutual fund)	0	13,415	0	13,415	13,415
Total Non-Categorized Investments	0	13,415	0	13,415	13,415
Total Investments	\$5,477,036	\$13,415	\$12,463,223	\$17,953,674	\$17,953,674

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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

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	\$16,072,257	\$2,503,324
Investments:		
Repurchase Agreements	(11,465,023)	11,465,023
U.S. Agency Bonds and Notes	(2,973,712)	2,973,712
Commercial Paper	(998,200)	998,200
Huber Heights Education Foundation	(13,415)	13,415
Per GASB Statement No. 3	<u>\$621,907</u>	<u>\$17,953,674</u>

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$261,660, which includes \$47,465 assigned from other District funds.

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 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2002, and equalization adjustments were made in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. 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.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 5 - PROPERTY TAXES (Continued)

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 2003 receipts were based are:

Agricultural/Residential and Other Real Estate	\$613,675,270
Public Utility Personal	15,065,590
Tangible Personal Property	<u>43,270,845</u>
Total Assessed Value	<u><u>\$672,011,705</u></u>
Tax rate per \$1,000 of assessed valuation	\$56.61

NOTE 6 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 7 - CAPITAL ASSETS

Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2003:

Historical Cost:

<u>Class</u>	<u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2003</u>
<i>Capital assets not being depreciated:</i>				
Land	\$947,173	\$0	\$0	\$947,173
<i>Capital assets being depreciated:</i>				
Land Improvements	1,123,724	0	0	1,123,724
Buildings and Improvement	23,877,151	751,044	(717,849)	23,910,346
Machinery and Equipment	8,123,535	1,318,341	(80,071)	9,361,805
Total Cost	<u>\$34,071,583</u>	<u>\$2,069,385</u>	<u>(\$797,920)</u>	<u>\$35,343,048</u>

Accumulated Depreciation:

<u>Class</u>	<u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2003</u>
Land Improvements	(\$978,760)	(\$8,890)	\$0	(\$987,650)
Buildings and Improvement	(9,010,277)	(467,407)	313,496	(9,164,188)
Machinery and Equipment	(5,900,606)	(277,556)	72,065	(6,106,097)
Total Depreciation	<u>(\$15,889,643)</u>	<u>(\$753,853) *</u>	<u>\$385,561</u>	<u>(\$16,257,935)</u>
<i>Net Value:</i>	<u>\$18,181,940</u>			<u>\$19,085,113</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	(\$602,039)
Support Services:	
Pupils	(266)
Instructional Staff	(3,758)
Board of Education	(1,527)
Administration	(3,063)
Fiscal Services	(66)
Business	(1,173)
Operations & Maintenance of Plant	(7,086)
Pupil Transportation	(121,993)
Non-Instructional Services	
Food Service Operations	(10,754)
Community Services	(738)
Extracurricular Activities	(1,390)
Total Depreciation Expense	<u>(\$753,853)</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 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, (latest information available) 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, 2003, 2002, and 2001 were \$1,013,928, \$868,488, and \$754,134, 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 (latest information available) 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 2003, the minimum pay has been established as \$14,500. The amount contributed to fund health care benefits, including the surcharge amounted to \$700,330.

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 (the latest information available) 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.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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 Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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, (latest information available) 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, 2003, 2002, and 2001 were \$3,493,920, \$3,460,704, and \$2,936,340, respectively, which were equal to the required contributions for each year.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B 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, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$1,123,046 for the District. The balance of the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). 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, 2003 is as follows:

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003	Amount Due Within One Year
Governmental Activities:					
Energy Conservation Note:					
School Improvement	\$846,398	\$0	(\$187,259)	\$659,139	\$191,287
Capital Leases Payable	137,947	598,968	(68,803)	668,112	133,621
Compensated Absences	2,365,460	1,236,679	(1,352,886)	2,249,253	0
Total Other					
Long-Term Obligations	\$3,349,805	\$1,835,647	(\$1,608,948)	\$3,576,504	\$324,908

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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, 2003 follows:

Years	Energy Conservation Notes		
	Principal	Interest	Total
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	\$659,139	\$74,479	\$733,618

NOTE 10 - CAPITALIZED LEASE

The District is obligated under two leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$754,818.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2003:

Year Ending June 30,	Capital Lease
2004	\$160,039
2005	160,039
2006	138,395
2007	116,752
2008	71,054
2009	71,054
2010	29,606
Minimum Lease Payments	746,939
Less: Amount representing interest at the District's incremental borrowing rate of interest	(78,827)
Present Value of minimum lease payments	\$668,112

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 11 – 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:

Year Ending June 30,	Operating Leases
2004	\$25,626
2005	25,626
2006	8,542
Total	\$59,794

NOTE 12 – 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, 2003, 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, 2002	\$1,351,485	\$0	\$551,277	\$1,902,762
Current Year Set-Aside Requirement	911,037	911,037	0	1,822,074
Qualifying Disbursements	(859,482)	(3,081,503)	0	(3,940,985)
Total	\$1,403,040	(\$2,170,466)	\$551,277	(\$216,149)
Cash Balance Carried Forward to FY 2004	\$1,403,040	(\$2,170,466)	\$551,277	(\$216,149)
Amount Restricted for Textbooks				\$1,403,040
Amount Restricted for Budget Stabilization				551,277
Total Restricted Assets				\$1,954,317

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

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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 \$81,308,700 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.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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 \$145,315 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 various funds. During fiscal year 2003, the District paid \$19,802 to SOEPC. 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 2003, the School District paid \$3,038 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

HUBER HEIGHTS CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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 2003, The District contributed \$4,331,455 which represented 6.66 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, 2003.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2003.

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 YEAR ENDED JUNE 30, 2003**

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		\$145,170		\$145,170
School Breakfast Program	05-PU-02 05-PU-03	10.553	6,989 18,705		6,989 18,705	
Total School Breakfast Program			25,694		25,694	
National School Lunch Program	LL-P4-02 LL-P4-03	10.555	100,372 313,425		100,372 313,425	
Total National School Lunch Program			413,797		413,797	
Special Milk Program	02-PU-02 02-PU-03	10.556	343 1,318		343 1,318	
Total Special Milk Program			1,661		1,661	
Summer Food Service	23-PU-02 24-PU-02	10.559	23,248 2,436		23,248 2,436	
Total Summer Food Service			25,684		25,684	
Total U.S. Department of Agriculture - Nutrition Cluster			466,836	145,170	466,836	145,170
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-S1-03	84.010	46,833		46,833 77,268	
Total Title I			241,046 287,879		231,041 355,142	
Special Education Cluster:						
Special Education Grant to State Title VI-B Flow Thru	6B-SF-02 6B-SF-03	84.027	63,770 308,408		157,309 307,894	
Total Title VI-B			372,178		465,203	
Preschool Subsidy Flow through	PG-S1-03P	84.173	42,321		34,734	
Total Special Education Cluster			414,499		499,937	
Drug Free Schools	DR-S1-00 DR-S1-01 DR-S1-03	84.186	20,364 4,479		21,000 4,479	
Total Drug Free Schools			24,843		25,479	
Goals 2000	G2-S2-99 G2-S2-01	84.276			8,739 6,200	
Total Goals 2000					14,939	
Eisenhower Professional Development Grant Title II Part B	MS-S1-02	84.281	5,832		12,986	
Innovative Education Program Strategies	C2-S1-02 C2-S1-03	84.298	21,750		14,090 18,216	
Total Innovative Education			21,750		32,306	
Education Tech Grant	TJS1-03	84.318	1,790			
State Improvement Grant	STS1-03	84.323	22,500			
Advanced Placement	AVS1-03	84.330	200			
Class Size Reduction	CR-S1-02	84.340			27,890	

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Assistive Technology	AT-S1-02	84.352A			8,242	
	AT-S2-02		18,506		18,023	
	AT-S3-02		14,568		7,709	
	AT-S4-02		2,615			
Total Assistive Technology			35,689		33,974	
English Language Acquisition Grant	T3S1-03	84.365	2,224		2,224	
Improving Teacher Quality State Grant	TRS1-03	84.367	50,993		35,889	
<i>(Direct Receipts from U.S. Department of Education)</i>						
Impact Aid - Maintenance and Operations	N/A	84.041				
PL 874 - Special Ed			1,653			
PL 874 - Special Ed					69	
PL 874			1,082		15,138	
PL 874			19,771		19,771	
Total Impact Aid			22,506		34,978	
Total Department of Education			890,705		1,075,744	
U.S. Department of Health and Human Services						
<i>(Passed through Montgomery Count Education Service Center)</i>						
Medicaid (CAFS)	N/A	93.778	45,702		45,702	
National Endowment for the Humanities						
<i>(Direct Receipt)</i>						
Humanities Scholar in Residence	N/A	45.166			5,250	
National Science Foundation						
<i>(Passed through Wright State University)</i>						
Creating Laboratory Access for Science Students	N/A	47.074			951	
Totals			\$1,403,243	\$145,170	\$1,594,483	\$145,170

See accompanying notes to the Schedule of Federal Awards Expenditures

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C - MATCHING REQUIREMENTS

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

This page intentionally left blank.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Huber Heights City School District ("the District") as of and for the year ended June 30, 2003, and have issued our report thereon dated February 20, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 20, 2004.

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 financing 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 20, 2004.

Huber Heights City School District
Independent Accountant's Report on Compliance and on
Internal Controls Required by *Governmental Auditing Standards*
Page 2

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

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 20, 2004



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS 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 Road
Huber Heights, Ohio 45424

To the Board of Education:

Compliance

We have audited the compliance of Huber Height 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, 2003. 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 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 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 District's compliance with those requirements.

In our opinion, 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, 2003.

Internal Control Over Compliance

The management of 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Betty Montgomery
Auditor of State

February 20, 2004

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FISCAL YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	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 I: 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

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505

FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Finding Number	2003-001
-----------------------	----------

Finding for Recovery – Repaid During Audit

The District contracted with George McLaughlin for providing services as a security consultant to the District. In addition to his services, George McLaughlin hired extra security for various events throughout the District during the fiscal year, and was subsequently reimbursed. George McLaughlin was overpaid \$120 for providing extra security on December 27, 2002. This resulted from improper billing of sixteen hours of services instead of the twelve hours performed, at a rate of thirty dollars per hour.

In accordance with the forgoing facts, and according to **Ohio Rev. Code Section 117.28**, a finding for recovery for overpayment of public money is hereby issued against Freda Ferguson, Treasurer and her bonding company Peerless Insurance, and George McLaughlin, jointly and severally in the amount of one hundred and twenty dollars (\$120.00) and in favor of the District's General Fund. On October 16, 2003, after the discovery of overpayment, George McLaughlin repaid this amount to the District as evidenced by receipt #118409. The District should institute procedures to provide that all contractors are paid in accordance with the Board approved rates and in correct amounts. Additionally, voucher payments should be periodically reviewed for accuracy by someone independent of the payment process.

Finding Number	2003-002
-----------------------	----------

Ohio Rev. Code Section 5705.41(D) 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 three months or running beyond the current fiscal year. (The \$5,000 and three month limits were eliminated effective October 26, 2003.) 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.

The District failed to comply with the "Blanket" certificate requirements stated in the Revised Code. Of the 24 "Blanket" certificates tested, one (or 4.17%) exceeded the \$5,000 maximum allowable amount, 15 (or 62.5%) exceeded a period of three months, and all 24 (or 100%) ran beyond the fiscal year. The District should adopt procedures for periodic review of blanket certificates to monitor compliance with statutory requirements. Adherence to these requirements will help the District in proper reporting of encumbrances for financial reporting purposes and management decisions.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
FISCAL YEAR ENDED JUNE 30, 2003

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-10357-001	ORC 5705.41(D)(3) - Blanket Certificates exceeding three month time period and running beyond the current fiscal year	No	Not corrected, will be repeated as finding number 2003-002

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 18, 2004**