

**HUBER HEIGHTS CITY  
SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



# OHIO AUDITOR OF STATE KEITH FABER



January 17, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Huber Heights City School District, Montgomery County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 7, 2019

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Board of Education  
Huber Heights City School District  
Huber Heights, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City School District, Montgomery County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City School District as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the basic financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 12, 2018

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**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The management's discussion and analysis of Huber Heights City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased \$38,680,548 from fiscal year 2017 net position, as restated.
- General revenues accounted for \$69,315,682 in revenue or 84.57% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$12,646,315 in revenue or 15.43% of total revenues of \$81,961,997.
- The District had \$43,281,449 in expenses related to governmental activities; \$12,646,315 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$69,315,682 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$69,836,043 in revenues and other financing sources and \$62,356,616 in expenditures. During fiscal year 2018, the general fund's fund balance increased from \$34,596,057 to \$42,031,119.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**HUBER HEIGHTS SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability.

**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position at June 30, 2018 and June 30, 2017. Net position for 2017 has been restated as described in Note 3 in the notes to the basic financial statements

	<b>Net Position</b>	
	Governmental Activities 2018	Restated Governmental Activities 2017
<b><u>Assets</u></b>		
Current and other assets	\$ 91,785,243	\$ 84,938,474
Capital assets, net	<u>151,749,458</u>	<u>151,211,803</u>
Total assets	<u>243,534,701</u>	<u>236,150,277</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	9,109,562	9,670,303
Pension	24,223,272	18,486,697
OPEB	<u>1,128,307</u>	<u>130,875</u>
Total deferred outflows of resources	<u>34,461,141</u>	<u>28,287,875</u>
<b><u>Liabilities</u></b>		
Current liabilities	7,833,359	7,270,670
Long-term liabilities:		
Due within one year	2,563,204	2,345,431
Due in more than one year:		
Net pension liability	73,836,855	98,749,742
Net OPEB liability	16,262,186	19,804,609
Other	<u>77,322,735</u>	<u>79,469,871</u>
Total liabilities	<u>177,818,339</u>	<u>207,640,323</u>
<b><u>Deferred Inflows of Resources</u></b>		
Other amounts	29,005,292	28,031,161
Pension	3,653,180	1,766,686
OPEB	<u>1,838,501</u>	<u>-</u>
Total deferred inflows of resources	<u>34,496,973</u>	<u>29,797,847</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	83,873,451	81,873,973
Restricted	11,877,760	13,919,709
Unrestricted (deficit)	<u>(30,070,681)</u>	<u>(68,793,700)</u>
Total net position	<u>\$ 65,680,530</u>	<u>\$ 26,999,982</u>

**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.



**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$46,673,716 to \$26,999,982.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,680,530.

As the preceding table illustrates, the most significant changes in net position were the District's net pension liability and net OPEB liability, and the related deferred inflows/outflows of resources. See Note 12 and Note 13 in the notes to the basic financial statements for additional information regarding these components of net position. Other notable changes include an increase in current assets of \$6,846,769 (8.06%). This is primarily the result of an increase in cash and investments as the District's cash receipts exceeded cash disbursements during the year.

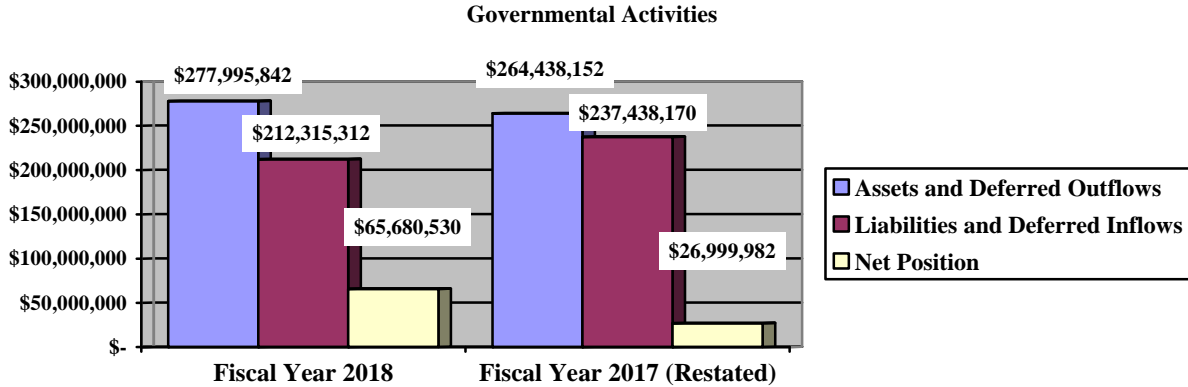
At year end, capital assets represented 62.31% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and vehicles. The District's net investment in capital assets at June 30, 2018 was \$83,873,451. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$11,877,760, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$30,070,681.

**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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The following graph illustrates the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2018 and June 30, 2017. See Note 3 in the notes to the basic financial statements for detail regarding the restatement to fiscal year 2017 net position.



The following table shows the changes in net position for governmental activities for fiscal years 2018 and 2017.

**Change in Net Position**

	Governmental Activities	
	2018	2017
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,413,472	\$ 2,098,259
Operating grants and contributions	10,232,843	9,590,462
General revenues:		
Property taxes	30,231,907	31,924,250
Payment in lieu of taxes	1,359,877	1,155,507
Grants and entitlements	36,760,572	36,200,820
Investment earnings	609,012	184,513
Miscellaneous	354,314	678,562
<b>Total revenues</b>	<b>81,961,997</b>	<b>81,832,373</b>
		- continued

**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**Change in Net Position (Continued)**

<u>Expenses</u>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Instruction:		
Regular	\$ 12,698,471	\$ 30,394,660
Special	7,263,143	12,256,483
Vocational	14,760	11,580
Other	5,261,617	5,555,932
Support services:		
Pupil	2,886,393	4,176,152
Instructional staff	669,015	1,580,488
Board of education	4,726	15,365
Administration	1,725,995	3,789,553
Fiscal	814,694	1,106,451
Business	366,349	196,293
Operations and maintenance	4,067,874	5,286,005
Pupil transportation	1,638,383	2,884,269
Central	327,055	671,137
Operation of non-instructional services:		
Food service operations	1,732,088	2,414,531
Other non-instructional services	439,835	496,671
Extracurricular activities	374,013	925,456
Interest and fiscal charges	<u>2,997,038</u>	<u>3,199,761</u>
Total expenses	43,281,449	74,960,787
Change in net position	38,680,548	6,871,586
Net position at beginning of year (restated)	<u>26,999,982</u>	N/A
Net position at end of year	<u>\$ 65,680,530</u>	<u>\$ 26,999,982</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$38,680,548. Total governmental expenses of \$43,281,449 were offset by program revenues of \$12,646,315 and general revenues of \$69,315,682. Program revenues supported 29.22% of the total governmental expenses.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$130,875 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$2,527,751.

**HUBER HEIGHTS SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 43,281,449
Negative OPEB expense under GASB 75	2,527,751
2018 contractually required contributions	<u>173,603</u>
Adjusted 2018 program expenses	45,982,803
Total 2017 program expenses under GASB 45	<u>74,960,787</u>
Decrease in program expenses not related to OPEB	<u>\$ (28,977,984)</u>

Total revenues increased slightly as a decrease in general revenues was offset by a larger increase in program revenues. The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 81.74% of total governmental revenue. The decrease in property taxes revenue is mostly due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available to the District are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2018 and 2017 was approximately \$1.6 million and \$2.4, respectively. This amount can vary depending upon when the County Auditor distributes tax bills. The increase in charges for services and sales is mostly due to additional tuition reimbursements from other school districts. Operating grants and contributions also increased which is primarily a result of additional State and Federal grant funding, particularly for grants related to the District's special education programs.

Expenses of the governmental activities decreased \$31,679,338 or 42.26%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported \$(23,527,044) in pension expense and \$(2,527,751) in OPEB expense mainly due to these benefit changes. The largest expense of the District is for instructional programs. Instruction expenses totaled \$25,237,991 or 58.31% of total governmental expenses for fiscal year 2018.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

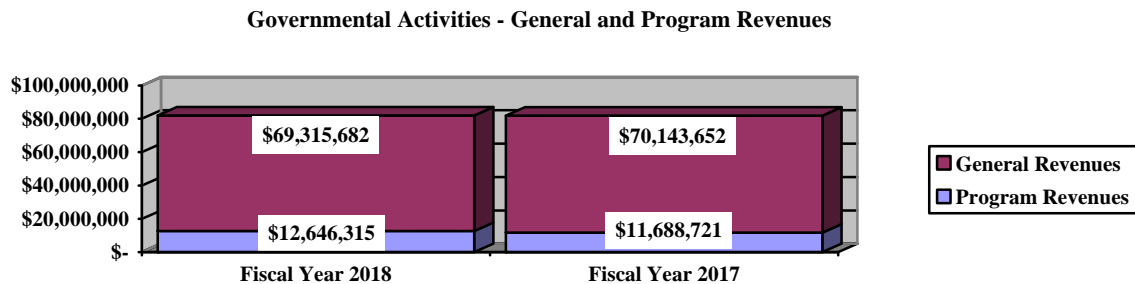
**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

	<b>Governmental Activities</b>			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
	Program expenses:			
Instruction:				
Regular	\$ 12,698,471	\$ 11,628,779	\$ 30,394,660	\$ 29,635,217
Special	7,263,143	401,552	12,256,483	6,054,099
Vocational	14,760	14,760	11,580	11,580
Other	5,261,617	5,261,617	5,555,932	5,555,932
Support services:				
Pupil	2,886,393	2,755,783	4,176,152	3,984,345
Instructional staff	669,015	(63,687)	1,580,488	886,734
Board of education	4,726	4,726	15,365	15,365
Administration	1,725,995	1,668,426	3,789,553	3,713,241
Fiscal	814,694	814,694	1,106,451	1,106,451
Business	366,349	366,349	196,293	196,293
Operations and maintenance	4,067,874	4,067,874	5,286,005	5,286,005
Pupil transportation	1,638,383	1,611,583	2,884,269	2,858,833
Central	327,055	210,625	671,137	593,701
Operation of non-instructional services:				
Food service operations	1,732,088	(884,848)	2,414,531	(200,557)
Other non-instructional services	439,835	(40,969)	496,671	20,751
Extracurricular activities	374,013	(179,168)	925,456	354,315
Interest and fiscal charges	2,997,038	2,997,038	3,199,761	3,199,761
<b>Total expenses</b>	<b>\$ 43,281,449</b>	<b>\$ 30,635,134</b>	<b>\$ 74,960,787</b>	<b>\$ 63,272,066</b>

The dependence upon taxes and other general revenues for governmental activities is apparent, as 68.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.78%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2018 and 2017.



**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$53,752,555, an increase from last year's total balance of \$48,433,800. The table below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	Increase/ <u>(Decrease)</u>
General fund	\$ 42,031,119	\$ 34,596,057	\$ 7,435,062
Nonmajor governmental funds	<u>11,721,436</u>	<u>13,837,743</u>	<u>(2,116,307)</u>
Total	<u>\$ 53,752,555</u>	<u>\$ 48,433,800</u>	<u>\$ 5,318,755</u>

**General Fund**

The District's general fund balance increased \$7,435,062 or 21.49%.

The table that follows assists in illustrating the revenues of the general fund during fiscal years 2018 and 2017.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Property taxes	\$ 25,414,275	\$ 27,016,061	(5.93) %
Tuition	914,394	445,927	105.05 %
Investment earnings	622,500	173,133	259.55 %
Extracurricular	348,997	375,074	(6.95) %
Classroom materials and fees	165,675	191,265	(13.38) %
Intergovernmental	40,608,449	39,610,509	2.52 %
Other revenues	<u>1,734,670</u>	<u>1,841,234</u>	<u>(5.79) %</u>
Total	<u>\$ 69,808,960</u>	<u>\$ 69,653,203</u>	<u>0.22 %</u>

The two largest revenue sources for the general fund are property taxes and intergovernmental. The increase in intergovernmental revenues is primarily due to additional funding from the State Foundation Program, while the decrease in property taxes is mostly due to fluctuations in the amount of tax collected and available for advance at fiscal year-end as discussed on page 10. Other notable changes in general fund revenues were tuition and investment earnings. The increase in tuition revenue is mostly due to additional special education and other tuition reimbursements from area school districts. Investment earnings increased as the District was able to invest more available monies in interest bearing securities.

Total expenditures for the general fund increased \$2,886,145 or 4.85%. This is primarily due to an increase in employee wages and benefits costs in accordance with the latest negotiated agreements. The table on the next page assists in illustrating the expenditures of the general fund during fiscal years 2018 and 2017.

**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 43,345,835	\$ 41,982,585	3.25 %
Support services	18,390,078	16,930,188	8.62 %
Operation of non-instructional services	800	151	429.80 %
Extracurricular activities	<u>619,903</u>	<u>557,547</u>	<u>11.18 %</u>
Total	<u>\$ 62,356,616</u>	<u>\$ 59,470,471</u>	<u>4.85 %</u>

***General Fund Budgeting Highlights***

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.

For the general fund, original budgeted revenues and other financing sources of \$68,019,426 were increased to \$71,154,343 in the final budget, mostly to account for additional State Foundation revenue as well as transfers from other funds. Actual revenues and other financing sources were \$71,586,668, which is \$432,325 (0.61%) more than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$66,620,024 were decreased to \$64,124,113 in the final budget in order to more closely reflect the operating costs for the year. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$63,985,863, which is \$138,250 (0.22%) less than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had \$151,749,458 invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and vehicles. The following table shows June 30, 2018 balances compared to those at June 30, 2017.

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 915,794	\$ 915,794
Construction in progress	2,076,349	139,557
Land improvements	1,345,341	1,181,919
Buildings and improvements	145,693,623	146,935,755
Machinery and equipment	701,649	976,626
Vehicles	<u>1,016,702</u>	<u>1,062,152</u>
Total	<u>\$ 151,749,458</u>	<u>\$ 151,211,803</u>

**HUBER HEIGHTS SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The overall increase in capital assets is due capital outlays of \$2,720,029 exceeding depreciation expense of \$2,070,617 and net capital asset disposals of \$111,757. Significant asset additions for 2018 include building improvements such as air conditioning upgrades, and the construction of a transportation center which is ongoing as of June 30, 2018.

See Note 7 in the notes to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2018, the District had \$69,866,152 in general obligation bonds, certificates of participation and capital leases outstanding. Of this total, \$2,270,201 is due within one year and \$67,595,951 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2018 and June 30, 2017.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 68,290,000	\$ 70,055,000
Certificates of Participation	1,000,000	1,110,000
Capital Leases	<u>576,152</u>	<u>353,239</u>
Total	<u>\$ 69,866,152</u>	<u>\$ 71,518,239</u>

Total long-term debt additions in fiscal year 2018 consisted of a capital lease for school buses in the amount of \$373,998, and total reductions were \$2,026,085.

See Note 8 in the notes to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

Due to the current economic climate, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the local contribution to public education continues to be based on property taxes, the recent reductions in home value reappraisals have had a negative effect on collections. However, assessed property tax values in the District have rebounded slightly the last few years, increasing approximately \$38.8 million or 5.8% since 2015.

In addition to property tax revenues, the District is heavily reliant on State Foundation funding. Under the new biennial State budget for fiscal years 2018 and 2019, the District will receive approximately \$36.5 million in State Foundation aid in fiscal year 2019, or an increase of about \$1 million.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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. Gina Helmick, Treasurer for the Huber Heights City School District, 5954 Longford Road, Huber Heights, Ohio 45424.



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 24,701,159
Cash with escrow agent . . . . .	373,998
Cash in segregated accounts . . . . .	25,179
Investments . . . . .	33,623,573
Receivables:	
Property taxes . . . . .	30,085,568
Payment in lieu of taxes . . . . .	1,341,963
Accounts . . . . .	11,213
Intergovernmental . . . . .	1,329,908
Accrued interest . . . . .	59,051
Materials and supplies inventory . . . . .	194,913
Inventory held for resale . . . . .	38,718
Capital assets:	
Nondepreciable capital assets . . . . .	2,992,143
Depreciable capital assets, net . . . . .	148,757,315
Capital assets, net . . . . .	151,749,458
Total assets . . . . .	243,534,701
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	9,109,562
Pension . . . . .	24,223,272
OPEB . . . . .	1,128,307
Total deferred outflows of resources . . . . .	34,461,141
<b>Liabilities:</b>	
Accounts payable . . . . .	416,479
Contracts payable . . . . .	334,424
Accrued wages and benefits payable . . . . .	5,729,390
Intergovernmental payable . . . . .	146,318
Pension and postemployment benefits payable . . . . .	972,710
Accrued interest payable . . . . .	234,038
Long-term liabilities:	
Due within one year . . . . .	2,563,204
Due in more than one year:	
Net pension liability (See Note 12) . . . . .	73,836,855
Net OPEB liability (See Note 13) . . . . .	16,262,186
Other amounts . . . . .	77,322,735
Total liabilities . . . . .	177,818,339
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	27,663,329
Payment in lieu of taxes levied for the next fiscal year . . . . .	1,341,963
Pension . . . . .	3,653,180
OPEB . . . . .	1,838,501
Total deferred inflows of resources . . . . .	34,496,973
<b>Net position:</b>	
Net investment in capital assets . . . . .	83,873,451
Restricted for:	
Capital projects . . . . .	3,069,099
Classroom facilities maintenance . . . . .	3,579,660
Debt service . . . . .	3,049,277
Locally funded programs . . . . .	354
State funded programs . . . . .	1,335
Federally funded programs . . . . .	157,482
Student activities . . . . .	89,819
Other purposes . . . . .	1,930,734
Unrestricted (deficit) . . . . .	(30,070,681)
Total net position . . . . .	\$ 65,680,530

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 12,698,471	\$ 872,782	\$ 196,910	\$ (11,628,779)
Special . . . . .	7,263,143	300,842	6,560,749	(401,552)
Vocational . . . . .	14,760	-	-	(14,760)
Other . . . . .	5,261,617	-	-	(5,261,617)
Support services:				
Pupil . . . . .	2,886,393	-	130,610	(2,755,783)
Instructional staff . . . . .	669,015	-	732,702	63,687
Board of education . . . . .	4,726	-	-	(4,726)
Administration . . . . .	1,725,995	-	57,569	(1,668,426)
Fiscal . . . . .	814,694	-	-	(814,694)
Business . . . . .	366,349	-	-	(366,349)
Operations and maintenance . . . . .	4,067,874	-	-	(4,067,874)
Pupil transportation . . . . .	1,638,383	18,132	8,668	(1,611,583)
Central . . . . .	327,055	-	116,430	(210,625)
Operation of non-instructional services:				
Food service operations . . . . .	1,732,088	671,035	1,945,901	884,848
Other non-instructional services . . . . .	439,835	-	480,804	40,969
Extracurricular activities . . . . .	374,013	550,681	2,500	179,168
Interest and fiscal charges . . . . .	2,997,038	-	-	(2,997,038)
<b>Total governmental activities . . . . .</b>	<b>\$ 43,281,449</b>	<b>\$ 2,413,472</b>	<b>\$ 10,232,843</b>	<b>(30,635,134)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				25,459,734
Debt service . . . . .				3,922,015
Facilities maintenance . . . . .				283,387
Capital outlay . . . . .				566,771
Payment in lieu of taxes . . . . .				1,359,877
Grants and entitlements not restricted				
to specific programs . . . . .				36,760,572
Investment earnings . . . . .				609,012
Miscellaneous . . . . .				354,314
<b>Total general revenues . . . . .</b>				<b>69,315,682</b>
Change in net position . . . . .				38,680,548
<b>Net position at beginning of year (restated) . . . . .</b>				<b>26,999,982</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 65,680,530</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 12,520,486	\$ 12,148,710	\$ 24,669,196
Cash with escrow agent . . . . .	-	373,998	373,998
Cash in segregated accounts . . . . .	25,179	-	25,179
Investments . . . . .	33,623,573	-	33,623,573
Receivables:			
Property taxes. . . . .	25,404,259	4,681,309	30,085,568
Payment in lieu of taxes . . . . .	1,341,963	-	1,341,963
Accounts . . . . .	11,213	-	11,213
Intergovernmental. . . . .	521,980	807,928	1,329,908
Accrued interest. . . . .	59,051	-	59,051
Interfund loans . . . . .	701,703	-	701,703
Materials and supplies inventory . . . . .	184,794	10,119	194,913
Inventory held for resale . . . . .	-	38,718	38,718
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	-	31,963	31,963
Total assets. . . . .	\$ 74,394,201	\$ 18,092,745	\$ 92,486,946
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 296,698	\$ 119,781	\$ 416,479
Contracts payable . . . . .	-	334,424	334,424
Accrued wages and benefits payable . . . . .	5,318,598	410,792	5,729,390
Compensated absences payable . . . . .	10,914	28,662	39,576
Intergovernmental payable . . . . .	140,706	5,612	146,318
Pension and postemployment benefits payable . . . . .	898,900	73,810	972,710
Interfund loans payable . . . . .	-	701,703	701,703
Total liabilities. . . . .	6,665,816	1,674,784	8,340,600
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	23,362,469	4,300,860	27,663,329
Payment in lieu of taxes levied for the next fiscal year. . . . .	1,341,963	-	1,341,963
Delinquent property tax revenue not available . . . . .	683,203	127,354	810,557
Intergovernmental revenue not available . . . . .	297,538	268,311	565,849
Accrued interest not available. . . . .	12,093	-	12,093
Total deferred inflows of resources . . . . .	25,697,266	4,696,525	30,393,791
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	184,794	10,119	194,913
Restricted:			
Debt service . . . . .	-	3,178,893	3,178,893
Capital improvements . . . . .	-	3,053,811	3,053,811
Classroom facilities maintenance . . . . .	-	3,572,016	3,572,016
Food service operations . . . . .	-	1,975,742	1,975,742
Auxiliary services . . . . .	-	7,108	7,108
Extracurricular activities . . . . .	-	89,819	89,819
Staff development and support . . . . .	-	614	614
Other purposes . . . . .	-	31,963	31,963
Committed:			
Pollution remediation . . . . .	11,000	-	11,000
Assigned:			
Student instruction . . . . .	184,545	-	184,545
Student and staff support. . . . .	408,055	-	408,055
Extracurricular activities . . . . .	246	-	246
School supplies. . . . .	15,944	-	15,944
Unassigned (deficit) . . . . .	41,226,535	(198,649)	41,027,886
Total fund balances . . . . .	42,031,119	11,721,436	53,752,555
Total liabilities, deferred inflows of resources and fund balances. . . . .	\$ 74,394,201	\$ 18,092,745	\$ 92,486,946

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

<b>Total governmental fund balances</b>		\$	53,752,555
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			151,749,458
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.			
Delinquent property taxes	\$	810,557	
Intergovernmental		565,849	
Accrued interest		12,093	
Total		1,388,499	1,388,499
Unamortized premiums on bonds issued are not recognized in the funds.			(7,361,145)
Unamortized deferred charges on debt refundings are not recognized in the funds.			9,109,562
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(234,038)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows of resources and deferred outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pensions		24,223,272	
Deferred inflows of resources - pensions		(3,653,180)	
Net pension liability		(73,836,855)	
Total		(53,266,763)	(53,266,763)
The net OPEB liability is not due and payable in the current period, therefore, the liability and related deferred inflows of resources and deferred outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - OPEBs		1,128,307	
Deferred inflows of resources - OPEBs		(1,838,501)	
Net OPEB liability		(16,262,186)	
Total		(16,972,380)	(16,972,380)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(68,290,000)	
Certificates of participation		(1,000,000)	
Capital lease obligations		(576,152)	
Compensated absences		(2,619,066)	
Total		(72,485,218)	(72,485,218)
<b>Net position of governmental activities</b>		\$	65,680,530

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 25,414,275	\$ 4,763,842	\$ 30,178,117
Payment in lieu of taxes . . . . .	1,359,877	-	1,359,877
Tuition . . . . .	914,394	-	914,394
Transportation fees . . . . .	18,132	-	18,132
Charges for services . . . . .	-	671,035	671,035
Investment earnings . . . . .	622,500	2,406	624,906
Extracurricular . . . . .	348,997	292,892	641,889
Classroom materials and fees . . . . .	165,675	-	165,675
Other local revenues . . . . .	356,661	11,292	367,953
Intergovernmental - intermediate . . . . .	97,406	-	97,406
Intergovernmental - state . . . . .	39,989,992	1,359,120	41,349,112
Intergovernmental - federal . . . . .	521,051	4,965,580	5,486,631
Total revenues . . . . .	<u>69,808,960</u>	<u>12,066,167</u>	<u>81,875,127</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	26,614,947	33,224	26,648,171
Special . . . . .	11,347,527	1,961,041	13,308,568
Vocational . . . . .	14,760	-	14,760
Other . . . . .	5,368,601	-	5,368,601
Support services:			
Pupil . . . . .	4,403,043	128,292	4,531,335
Instructional staff . . . . .	963,241	729,760	1,693,001
Board of education . . . . .	14,151	-	14,151
Administration . . . . .	3,771,796	56,093	3,827,889
Fiscal . . . . .	1,044,865	56,429	1,101,294
Business . . . . .	461,140	-	461,140
Operations and maintenance . . . . .	4,552,155	277,663	4,829,818
Pupil transportation . . . . .	2,746,109	215,859	2,961,968
Central . . . . .	433,578	113,767	547,345
Operation of non-instructional services:			
Food service operations . . . . .	-	2,499,581	2,499,581
Other non-instructional services . . . . .	800	584,683	585,483
Extracurricular activities . . . . .	619,903	290,151	910,054
Facilities acquisition and construction . . . . .	-	2,655,461	2,655,461
Debt service:			
Principal retirement . . . . .	-	2,026,085	2,026,085
Interest and fiscal charges . . . . .	-	2,943,334	2,943,334
Total expenditures . . . . .	<u>62,356,616</u>	<u>14,571,423</u>	<u>76,928,039</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>7,452,344</u>	<u>(2,505,256)</u>	<u>4,947,088</u>
<b>Other financing sources:</b>			
Proceeds from sale of assets . . . . .	27,083	-	27,083
Capital lease transaction . . . . .	-	373,998	373,998
Total other financing sources . . . . .	<u>27,083</u>	<u>373,998</u>	<u>401,081</u>
Net change in fund balances . . . . .	7,479,427	(2,131,258)	5,348,169
<b>Fund balances at beginning of year . . . . .</b>	<b>34,596,057</b>	<b>13,837,743</b>	<b>48,433,800</b>
<b>Increase (decrease) in reserve for inventory . . . . .</b>	<b>(44,365)</b>	<b>14,951</b>	<b>(29,414)</b>
<b>Fund balances at end of year . . . . .</b>	<u><b>\$ 42,031,119</b></u>	<u><b>\$ 11,721,436</b></u>	<u><b>\$ 53,752,555</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, 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, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	5,348,169
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 2,720,029	
Current year depreciation	<u>(2,070,617)</u>	
Total		649,412
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(111,757)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(29,414)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	53,790	
Intergovernmental	25,086	
Investment earnings	<u>(13,488)</u>	
Total		65,388
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		2,026,085
The inception of capital leases is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as an other financing source as it increases liabilities on the statement of net position.		
		(373,998)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in higher interest and fiscal charges reported in the statement of activities:		
Decrease in accrued interest payable	25,049	
Amortization of bond premiums	481,988	
Amortization of deferred charges on refunding	<u>(560,741)</u>	
Total		(53,704)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		5,235,924
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		23,527,044
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		173,603
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		2,527,751
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(303,955)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>38,680,548</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 26,336,727	\$ 26,025,225	\$ 26,025,225	\$ -
Payment in lieu of taxes . . . . .	949,118	1,330,000	1,359,877	29,877
Tuition. . . . .	275,175	751,875	914,394	162,519
Transportation fees. . . . .	16,000	16,000	13,676	(2,324)
Investment earnings . . . . .	262,985	630,000	732,601	102,601
Extracurricular. . . . .	-	233,016	252,174	19,158
Classroom materials and fees . . . . .	-	-	632	632
Other local revenues . . . . .	145,000	318,594	379,288	60,694
Intergovernmental - intermediate . . . . .	196,696	196,696	97,406	(99,290)
Intergovernmental - state . . . . .	39,289,633	40,225,161	40,028,159	(197,002)
Intergovernmental - federal . . . . .	200,000	178,924	521,051	342,127
Total revenues . . . . .	<u>67,671,334</u>	<u>69,905,491</u>	<u>70,324,483</u>	<u>418,992</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	29,712,018	26,649,951	26,545,463	104,488
Special. . . . .	10,736,339	11,226,976	11,286,314	(59,338)
Vocational. . . . .	12,000	12,000	10,260	1,740
Other. . . . .	6,191,059	5,357,721	5,372,345	(14,624)
Support services:				
Pupil. . . . .	4,081,190	4,121,249	4,379,302	(258,053)
Instructional staff . . . . .	951,044	955,691	924,902	30,789
Board of education . . . . .	15,503	15,335	14,121	1,214
Administration. . . . .	4,107,273	3,911,065	3,752,523	158,542
Fiscal . . . . .	1,055,032	1,080,784	1,049,848	30,936
Business. . . . .	369,232	474,362	474,651	(289)
Operations and maintenance . . . . .	4,947,194	4,801,906	4,715,792	86,114
Pupil transportation . . . . .	3,034,504	2,705,636	2,805,694	(100,058)
Central. . . . .	602,460	634,670	428,451	206,219
Other non-instructional services . . . . .	-	2,000	800	1,200
Extracurricular activities. . . . .	555,176	561,058	611,689	(50,631)
Total expenditures . . . . .	<u>66,370,024</u>	<u>62,510,404</u>	<u>62,372,155</u>	<u>138,249</u>
Excess of revenues over expenditures. . . . .	<u>1,301,310</u>	<u>7,395,087</u>	<u>7,952,328</u>	<u>557,241</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	61,755	75,005	13,250
Proceeds from sale of assets . . . . .	-	27,000	27,083	83
Transfers in . . . . .	-	812,005	812,005	-
Transfers (out) . . . . .	-	(912,005)	(912,005)	-
Advances in . . . . .	348,092	348,092	348,092	-
Advances (out). . . . .	(250,000)	(701,704)	(701,703)	1
Total other financing sources (uses). . . . .	<u>98,092</u>	<u>(364,857)</u>	<u>(351,523)</u>	<u>13,334</u>
Net change in fund balance . . . . .	1,399,402	7,030,230	7,600,805	570,575
<b>Fund balance at beginning of year. . . . .</b>	<b>37,119,948</b>	<b>37,119,948</b>	<b>37,119,948</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>834,207</b>	<b>834,207</b>	<b>834,207</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 39,353,557</u></b>	<b><u>\$ 44,984,385</u></b>	<b><u>\$ 45,554,960</u></b>	<b><u>\$ 570,575</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Private-Purpose Trust</u>	
	<u>Special Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 9,668	\$ 107,115
Receivables:		
Intergovernmental . . . . .	-	39
Total assets. . . . .	<u>9,668</u>	<u>\$ 107,154</u>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 89,198
Due to others. . . . .	-	17,956
Total liabilities . . . . .	<u>-</u>	<u>\$ 107,154</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>9,668</u>	
Total net position . . . . .	<u>\$ 9,668</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 1,582
Change in net position . . . . .	1,582
<b>Net position at beginning of year . . . . .</b>	<b>8,086</b>
<b>Net position at end of year. . . . .</b>	<b>\$ 9,668</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The 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 245 non-certified and 380 certified teaching personnel and administrative employees providing education to approximately 6,492 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, 'The Financial Reporting Entity,' as amended by GASB Statements 39, 'Determining Whether Certain Organizations Are Component Units - An Amendment of GASB Statement No. 14,' and 61, 'The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34,' 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 Statements No. 14, 39 and 61 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with five organizations which are defined as jointly governed, and one public entity risk pool. These organizations include the Metropolitan Educational Technical Association (META), the Southwestern Ohio Educational Purchasing Council, the Miami Valley Career Technology Center, Southwestern Ohio Instructional Technology Association, the Shared Resources Center Regional Council of Governments, 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.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

Other governmental funds of the District are used to account for (a) resources that are used for payment of principal, interest, and fiscal charges on general obligation debt, (b) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets; and (c) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide statements are prepared using the economic resources measurement focus. 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.

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.

All governmental fund types are accounted for using a flow of current financial resources measurement focus. Within this measurement focus, only current assets and current deferred outflows of resources and current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

Current property taxes measurable at June 30, 2018 which are not intended to finance fiscal year 2018 operations have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

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

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

**E. Budgetary Process**

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

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

**1. Tax Budget**

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 2018.

3. Appropriations

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

4. Lapsing of Appropriations

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

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.

**F. Cash and Cash Equivalents**

During fiscal year 2018, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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."

**G. Investments**

The District invested funds in the STAR Ohio during fiscal year 2018. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the District. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2018 amounted to \$622,500, which includes \$146,485 assigned from other District funds.

**H. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2018.

**I. 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 food service inventory held for resale and expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased.

**J. Capital Assets and Depreciation**

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

All capital assets are depreciated excluding land and construction in progress. Depreciation has been provided using the straight-line method with a salvage value of 10 percent over the following estimated useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	25 - 100 Years
Machinery and Equipment	5 - 20 Years
Vehicles	10 Years

**K. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	Debt Service Fund
Certificates of Participation	Permanent Improvement Fund
Capital Leases Payable	Permanent Improvement Fund
Compensated Absences	General Fund, Food Service Fund

**L. 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 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 District’s termination policy. For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for all employees after 20 years of current service with the District.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The majority of the amount restricted for other purposes represented amounts restricted for food services. At June 30, 2018, there was no net position restricted by enabling legislation.

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

**N. Pensions**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**O. 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**

Cash with fiscal agent represents cash and cash equivalents held by The Dayton Foundation which is restricted in use for Board-approved scholarships.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 12 and Note 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, intergovernmental grants, and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 12 and Note 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

**S. 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.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. In fiscal 2018, the District reported no extraordinary or special items.

**U. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements, and added required supplementary information which is presented on pages 68-77.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at June 30, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 46,673,716
Deferred outflows - payments subsequent to measurement date	130,875
Net OPEB liability	(19,804,609)
Restated net position at June 30, 2017	\$ 26,999,982

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Miscellaneous state grants	\$ 5,569
IDEA Part B	83,666
Title III	1,050
Title I	93,426
IDEA preschool grant for the handicapped	3,236
Improving teacher quality	8,821
Miscellaneous federal grants	2,881

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited 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;

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

**A. Cash on Hand**

At fiscal year end, the District had \$2,650 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Cash With Escrow Agent**

The District has money held in an account by an escrow agent. The account was established in connection with the capital lease agreement the District entered into during fiscal year 2018 (see Note 9). On behalf of the District, the agent will disburse funds from the account to the vendor upon delivery of the equipment acquired under the lease agreement. The amount held by the escrow agent at June 30, 2018 was \$373,998 and is not included in "Deposits With Financial Institutions" below.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

**C. Cash in Segregated Accounts**

The District reports “cash in segregated accounts” for an employee Health Reimbursement Arrangement checking account which is maintained separately from the District’s internal cash pool. The balance of the cash in segregated accounts was \$25,179 at June 30, 2018 and is included in “Deposits with Financial Institutions” below.

**D. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$3,242,336 and the bank balance of all District deposits was \$3,413,984. Of the bank balance, \$250,000 was covered by the FDIC and \$3,163,984 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**E. Investments**

As of June 30, 2018, the District had the following investments and maturities:

Measurement/ Investment Type	Measurement Value	Investment Maturities			
		12 months or less	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair value:</i>					
FHLB	\$ 2,431,686	\$ -	\$ -	\$ -	\$ 2,431,686
FHLMC	2,238,879	-	-	-	2,238,879
FNMA	8,484,185	-	2,304,602	1,323,949	4,855,634
Negotiable CDs	4,091,279	734,474	1,213,667	-	2,143,138
Commercial Paper	16,274,259	16,274,259	-	-	-
U.S. Treasury Obligations	103,285	103,285	-	-	-
<i>Amortized cost:</i>					
STAR Ohio	21,566,172	21,566,172	-	-	-
<b>Total</b>	<b>\$ 55,189,745</b>	<b>\$ 38,678,190</b>	<b>\$ 3,518,269</b>	<b>\$ 1,323,949</b>	<b>\$ 11,669,337</b>

The weighted average maturity of investments is 0.75 years.



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

The District's investments measured at fair value are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities (FHLB, FHLMC, and FNMA) and U.S. Treasury Obligations carry a rating of AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Commercial paper investments are rated P-1 by Moody's and A-1 to A-1+ by Standard & Poor's. The negotiable CDs are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* Other than investments in negotiable CDs, which are fully covered by the FDIC, all District investments are exposed to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

<u>Measurement/ Investment Type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
FHLB	\$ 2,431,686	4.41
FHLMC	2,238,879	4.06
FNMA	8,484,185	15.37
Negotiable CDs	4,091,279	7.41
Commercial Paper	16,274,259	29.49
U.S. Treasury Obligations	103,285	0.19
<i>Amortized cost:</i>		
STAR Ohio	<u>21,566,172</u>	<u>39.07</u>
Total	<u>\$ 55,189,745</u>	<u>100.00</u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

**F. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

Cash and investments per note

Carrying amount of deposits	\$ 3,242,336
Investments	55,189,745
Cash with escrow agent	373,998
Cash with fiscal agent	31,963
Cash on hand	<u>2,650</u>
Total	<u>\$ 58,840,692</u>

Cash and investments per statement of net position

Governmental activities	\$ 58,723,909
Private-purpose trust fund	9,668
Agency funds	<u>107,115</u>
Total	<u>\$ 58,840,692</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$1,358,587 in the general fund, \$207,529 in the debt service fund, \$30,377 in the permanent improvement fund and \$15,189 in the classroom facilities maintenance fund. This amount is recorded as revenue. The amount available as an advance at June 30, 2017 was \$1,969,537 in the general fund, \$311,007 in the debt service fund, \$44,314 in the permanent improvement fund and \$22,157 in the classroom facilities maintenance fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 5 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 663,340,920	97.90	\$ 689,676,300	97.90
Public utility personal	<u>14,257,010</u>	<u>2.10</u>	<u>14,782,560</u>	<u>2.10</u>
Total	<u>\$ 677,597,930</u>	<u>100.00</u>	<u>\$ 704,458,860</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 66.74		\$ 66.25	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2018 consisted of property taxes, payment in lieu of taxes, intergovernmental grants and entitlements, accounts (fees and reimbursements) and accrued interest. Receivables have been disaggregated on the face of the basic financial statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. All receivables are expected to be collected within the subsequent year. A summary of intergovernmental receivables follows:

	<u>Governmental Activities</u>
Medicaid School Program	\$ 297,538
BWC Rebate	229,701
Miscellaneous State Grants	8,336
IDEA Part B Grant	290,766
Title III Grant	4,342
Title I Grant	392,055
IDEA Preschool Grant for the Handicapped	9,125
Improving Teacher Quality Grant	<u>98,045</u>
Total	<u>\$ 1,329,908</u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>06/30/18</u>
<b>Governmental activities:</b>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 915,794	\$ -	\$ -	\$ -	\$ 915,794
Construction in progress	<u>139,557</u>	<u>1,936,792</u>	<u>-</u>	<u>-</u>	<u>2,076,349</u>
Total capital assets, not being depreciated	<u>1,055,351</u>	<u>1,936,792</u>	<u>-</u>	<u>-</u>	<u>2,992,143</u>
<i>Capital assets, being depreciated:</i>					
Land Improvements	2,265,820	-	(18,418)	417,682	2,665,084
Buildings and Improvements	158,031,791	434,065	(112,247)	131,768	158,485,377
Machinery and Equipment	2,578,833	157,026	(77,586)	(549,450)	2,108,823
Vehicles	<u>3,663,212</u>	<u>192,146</u>	<u>-</u>	<u>-</u>	<u>3,855,358</u>
Total capital assets, being depreciated	<u>166,539,656</u>	<u>783,237</u>	<u>(208,251)</u>	<u>-</u>	<u>167,114,642</u>
<i>Less: accumulated depreciation:</i>					
Land Improvements	(1,083,901)	(133,762)	9,491	(111,571)	(1,319,743)
Buildings and Improvements	(11,096,036)	(1,586,162)	17,175	(126,731)	(12,791,754)
Machinery and Equipment	(1,602,207)	(113,097)	69,828	238,302	(1,407,174)
Vehicles	<u>(2,601,060)</u>	<u>(237,596)</u>	<u>-</u>	<u>-</u>	<u>(2,838,656)</u>
Total accumulated depreciation	<u>(16,383,204)</u>	<u>(2,070,617)</u>	<u>96,494</u>	<u>-</u>	<u>(18,357,327)</u>
Governmental activities capital assets, net	<u>\$ 151,211,803</u>	<u>\$ 649,412</u>	<u>\$ (111,757)</u>	<u>\$ -</u>	<u>\$ 151,749,458</u>

The District reclassified certain capital assets in fiscal year 2018 in order to report the assets in the correct asset class. These transactions are shown in the “transfers” column above. A restatement to net position is not required as the net effect was \$0.

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,760,097
Special	27,842

Support services:

Administration	1,065
Operations and maintenance	69,258
Pupil transportation	199,490
Food service operations	4,726
Other non-instructional services	3,174
Extracurricular activities	<u>4,965</u>

Total depreciation expense \$ 2,070,617

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - DEBT AND OTHER LONG-TERM OBLIGATIONS**

Detail of the changes in the District's long-term obligations for the fiscal year ended June 30, 2018 is shown in the following table. The June 30, 2017 balance has been restated in order to include the net OPEB liability, as discussed in Note 3.

	Restated Balance <u>6/30/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/18</u>	Amount Due in <u>One Year</u>
<b><u>Governmental Activities:</u></b>					
General Obligation Bonds:					
2010 School Improvement - 2.0-5.0%	\$ 5,800,000	\$ -	\$ (1,765,000)	\$ 4,035,000	\$ 1,980,000
2015 Refunding - 4.0%	8,565,000	-	-	8,565,000	-
2016 Refunding - 3.0-5.0%	55,690,000	-	-	55,690,000	-
Certificate of Participation:					
2010 School Improvement - 6.75%	1,110,000	-	(110,000)	1,000,000	115,000
Net Pension Liability	98,749,742	-	(24,912,887)	73,836,855	-
Net OPEB Liability	19,804,609	-	(3,542,423)	16,262,186	-
Capital Leases Payable	353,239	373,998	(151,085)	576,152	175,201
Compensated Absences	<u>2,453,930</u>	<u>683,841</u>	<u>(479,129)</u>	<u>2,658,642</u>	<u>293,003</u>
Total Long-Term Debt and Other Obligations	<u>\$ 192,526,520</u>	<u>\$ 1,057,839</u>	<u>\$(30,960,524)</u>	162,623,835	<u>\$ 2,563,204</u>
			Add unamortized premium on bonds	<u>7,361,145</u>	
			Total reported on the Statement of Net Position	<u>\$ 169,984,980</u>	

Refer to Note 9 for more detail on the capital lease and Note 12 and Note 13 for more detail on the net pension liability and net OPEB liability, respectively.

The 2010 general obligation bonds and certificates of participation were originally issued in the amounts of \$82 million and \$1.7 million, respectively, and were issued to finance the construction of seven new school buildings.

A portion of the 2010 general obligation bonds was refunded during fiscal year 2016 with the 2015 Refunding bonds, issued in the amount of \$8,565,000. Issuance proceeds of \$9,836,745 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2018, \$8,730,000 of this debt was outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,106,745. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service payments by \$657,939 and resulted in an economic gain of \$586,374.

A portion of the 2010 general obligation bonds was refunded during fiscal year 2016 with the 2016 Refunding bonds, issued in the amount of \$57,275,000. Issuance proceeds of \$66,864,618 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2018, \$57,630,000 of this debt was outstanding.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$9,234,618. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service payments by \$11,507,385 and resulted in an economic gain of \$5,780,827.

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2018 follows:

Fiscal Year Ending	General Obligation Bonds			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,980,000	\$ 2,800,675	\$ 4,780,675	\$ 115,000	\$ 63,619	\$ 178,619
2020	2,055,000	2,712,175	4,767,175	125,000	55,519	180,519
2021	2,125,000	2,607,675	4,732,675	135,000	46,744	181,744
2022	2,395,000	2,494,675	4,889,675	140,000	37,463	177,463
2023	2,510,000	2,372,050	4,882,050	150,000	27,675	177,675
2024 - 2028	15,295,000	10,052,400	25,347,400	335,000	23,118	358,118
2029 - 2033	20,700,000	6,052,250	26,752,250	-	-	-
2034 - 2037	21,230,000	1,399,200	22,629,200	-	-	-
Total	<u>\$ 68,290,000</u>	<u>\$ 30,491,100</u>	<u>\$ 98,781,100</u>	<u>\$ 1,000,000</u>	<u>\$ 254,138</u>	<u>\$ 1,254,138</u>

**NOTE 9 - CAPITAL LEASES**

The District has entered into capital lease agreements to acquire school buses and information technology equipment. A liability of \$795,963 was recorded in the government-wide financial statements, which represents the value of the future minimum lease payments at inception. The District will record capital assets when the school buses are delivered in fiscal year 2019. The information technology equipment has not been recorded as capital assets since the items individually are below the District's capitalization threshold of \$5,000.

The following is a schedule of the future long-term minimum lease payments required under the lease agreements and the present value of the future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30	Amount
2019	\$ 190,654
2020	141,982
2021	69,648
2022	69,648
2023	69,648
2024 - 2025	<u>81,256</u>
Total minimum lease payments	622,836
Less: amount representing interest	<u>(46,684)</u>
Total	<u>\$ 576,152</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a reserve. During the fiscal year ended June 30, 2018, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	1,020,188
Current year offsets	(1,112,383)
Total	\$ (92,195)
Balance carried forward to fiscal year 2019	\$ -
Set-aside balance June 30, 2018	\$ -

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

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio School Plan for insurance. This policy has a limit of insurance in the amount of \$210,692,552 for property. The base policy for vehicle liability insurance is \$5,000,000 per occurrence. The Treasurer is bonded.

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

The District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The council contracts with Comp Management to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers compensation experience of the participation school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays this rate. Total savings is then calculated and each participants individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement ensures 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 85 percent of the premium.

The District provides life insurance to employees through Sun Life Insurance.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

**B. Plan Description - School Employees Retirement System (SERS)**

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,110,839 for fiscal year 2018. Of this amount, \$67,570 is reported as pension and postemployment benefits payable.

**C. Plan Description - State Teachers Retirement System (STRS)**

Plan Description - Licensed teachers participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$4,125,085 for fiscal year 2018. Of this amount, \$746,140 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**D. Net Pension Liability, Pension Expense, and Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.23414150%	0.24381654%	
Proportion of the net pension liability current measurement date	<u>0.23750660%</u>	<u>0.25108744%</u>	
Change in proportionate share	<u>0.00336510%</u>	<u>0.00727090%</u>	
Proportionate share of the net pension liability	\$ 14,190,495	\$ 59,646,360	\$ 73,836,855
Pension expense	\$ (522,117)	\$ (23,004,927)	\$ (23,527,044)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 610,711	\$ 2,303,264	\$ 2,913,975
Changes of assumptions	733,800	13,045,314	13,779,114
Difference between District contributions and proportionate share of contributions/ change in proportionate share	305,477	1,988,782	2,294,259
District contributions subsequent to the measurement date	<u>1,110,839</u>	<u>4,125,085</u>	<u>5,235,924</u>
Total deferred outflows of resources	<u>\$ 2,760,827</u>	<u>\$ 21,462,445</u>	<u>\$ 24,223,272</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 480,726	\$ 480,726
Net difference between projected and actual earnings on pension plan investments	67,359	1,968,400	2,035,759
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>160,130</u>	<u>976,565</u>	<u>1,136,695</u>
Total deferred inflows of resources	<u>\$ 227,489</u>	<u>\$ 3,425,691</u>	<u>\$ 3,653,180</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$5,235,924 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ 557,766	\$ 2,710,203	\$ 3,267,969
2020	947,105	5,387,905	6,335,010
2021	248,436	4,324,722	4,573,158
2022	(330,808)	1,488,839	1,158,031
Total	\$ 1,422,499	\$ 13,911,669	\$ 15,334,168

**E. Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 19,692,719	\$ 14,190,495	\$ 9,581,260

**F. Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 85,501,027	\$ 59,646,360	\$ 37,867,678

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

**A. Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

**B. Plan Description - School Employees Retirement System (SERS)**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.



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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$132,461.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$173,603 for fiscal year 2018. Of this amount, \$134,964 is reported as pension and postemployment benefits payable.

**C. Plan Description - State Teachers Retirement System (STRS)**

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**D. Net OPEB Liability, OPEB Expense, and Deferred Inflows of Resources and Deferred Outflows of Resources Related to OPEB**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.23734595%	0.24381654%	
Proportion of the net OPEB liability current measurement date	<u>0.24092080%</u>	<u>0.25108744%</u>	
Change in proportionate share	<u>0.00357485%</u>	<u>0.00727090%</u>	
Proportionate share of the net OPEB liability	\$ 6,465,681	\$ 9,796,505	\$ 16,262,186
OPEB expense	\$ 406,064	\$ (2,933,815)	\$ (2,527,751)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 565,515	\$ 565,515
Difference between District contributions and proportionate share of contributions/ change in proportionate share	55,889	333,300	389,189
District contributions subsequent to the measurement date	<u>173,603</u>	<u>-</u>	<u>173,603</u>
Total deferred outflows of resources	<u>\$ 229,492</u>	<u>\$ 898,815</u>	<u>\$ 1,128,307</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 17,074	\$ 418,726	\$ 435,800
Changes of assumptions	<u>613,560</u>	<u>789,141</u>	<u>1,402,701</u>
Total deferred inflows of resources	<u>\$ 630,634</u>	<u>\$ 1,207,867</u>	<u>\$ 1,838,501</u>

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$173,603 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (206,323)	\$ (86,403)	\$ (292,726)
2020	(206,323)	(86,403)	(292,726)
2021	(157,832)	(86,403)	(244,235)
2022	(4,267)	(86,403)	(90,670)
2023	-	18,276	18,276
Thereafter	<u>-</u>	<u>18,278</u>	<u>18,278</u>
Total	<u>\$ (574,745)</u>	<u>\$ (309,058)</u>	<u>\$ (883,803)</u>

**E. Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 7,808,133	\$ 6,465,681	\$ 5,402,116

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 5,246,416	\$ 6,465,681	\$ 8,079,400

**F. Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 13,151,651	\$ 9,796,505	\$ 7,144,844
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 6,806,192	\$ 9,796,505	\$ 13,732,108

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*Metropolitan Educational Technical Association* - The District participates in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The District paid META \$152,111 for services provided during fiscal year 2018. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Southwestern Ohio Educational Purchasing Council* - The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from various funds. The District did not make any payments to SOEPC during fiscal year 2018. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.



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**NOTE 14 - JOINTLY GOVERNED ORGANIZATION - (Continued)**

*Miami Valley Career Technology Center* - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty-seven participating school districts. The Board possesses its own budgeting and taxing authority. During fiscal year 2018, the District did not make any payments to Miami Valley Career Technology Center. Financial information can be obtained from Matt Hoffman, who serves as Treasurer, at 6800 Hoke Road, Englewood, Ohio 45315.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2018, the District paid \$2,125 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

*Shared Resources Center Regional Council of Governments* - The District participates in the Shared Resources Center Regional Council of Governments (Council), a jointly governed organization consisting of educational entities within Montgomery County. The purpose of the Council is to provide cost effective services to its members and to other entities, enhance and facilitate relationships between stakeholders in the public and private sector, and collaborate on research and development for innovations in education and local government. The Council is governed by a Governing Board, consisting of one individual from each of the seven original members, including the District. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Board. During fiscal year 2018, the District paid \$12,468 to the Council. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio, 45402.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 2018, the District contributed \$6,502,037 to the Trust. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

**B. Litigation**

The District is not party to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 17 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances (less amounts already included in payables) in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 419,047
Nonmajor governmental	<u>636,642</u>
Total	<u>\$ 1,055,689</u>

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 7,600,805
Net adjustment for revenue accruals	(772,374)
Net adjustment for expenditure accruals	(310,467)
Net adjustment for other sources/uses	378,606
Funds budgeted elsewhere	(175)
Adjustment for encumbrances	583,032
GAAP basis	<u>\$ 7,479,427</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund and underground storage tanks fund.

**NOTE 19 - INTERFUND TRANSACTIONS**

Interfund loans at June 30, 2018 as reported on the fund financial statements consist of \$701,703 due to the general fund from various nonmajor governmental funds. The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Huber Heights provides tax abatements through Community Reinvestment Area (CRA) agreements. Under the agreements, various businesses receive the abatement of property taxes in exchange for bringing jobs and economic development to the City. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by \$178,653 during fiscal year 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST FOUR FISCAL YEARS			
	2018	2017	2016	2015
District's proportion of the net pension liability	0.23750660%	0.23414150%	0.22555390%	0.23711800%
District's proportionate share of the net pension liability	\$ 14,190,495	\$ 17,136,997	\$ 12,870,324	\$ 12,000,406
District's covered payroll	\$ 7,701,121	\$ 6,465,521	\$ 6,791,495	\$ 6,929,278
District's proportionate share of the net pension liability as a percentage of its covered payroll	184.27%	265.05%	189.51%	173.18%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST FOUR FISCAL YEARS			
	2018	2017	2016	2015
District's proportion of the net pension liability	0.25108744%	0.24381654%	0.24272399%	0.25040112%
District's proportionate share of the net pension liability	\$ 59,646,360	\$ 81,612,745	\$ 67,081,811	\$ 60,906,219
District's covered payroll	\$ 28,541,871	\$ 25,838,086	\$ 23,562,886	\$ 27,062,346
District's proportionate share of the net pension liability as a percentage of its covered payroll	208.98%	315.86%	284.69%	225.06%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,110,839	\$ 1,078,157	\$ 905,173	\$ 895,119	\$ 960,398
Contributions in relation to the contractually required contribution	<u>(1,110,839)</u>	<u>(1,078,157)</u>	<u>(905,173)</u>	<u>(895,119)</u>	<u>(960,398)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,228,437	\$ 7,701,121	\$ 6,465,521	\$ 6,791,495	\$ 6,929,278
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,125,085	\$ 3,995,862	\$ 3,617,332	\$ 3,298,804	\$ 3,518,105
Contributions in relation to the contractually required contribution	<u>(4,125,085)</u>	<u>(3,995,862)</u>	<u>(3,617,332)</u>	<u>(3,298,804)</u>	<u>(3,518,105)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 29,464,893	\$ 28,541,871	\$ 25,838,086	\$ 23,562,886	\$ 27,062,346
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.24092080%	0.23734595%
District's proportionate share of the net OPEB liability	\$ 6,465,681	\$ 6,765,237
District's covered payroll	\$ 7,701,121	\$ 6,465,521
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.96%	104.64%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.25108744%	0.24381654%
District's proportionate share of the net OPEB liability	\$ 9,796,505	\$ 13,039,372
District's covered payroll	\$ 28,541,871	\$ 25,838,086
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.32%	50.47%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 173,603	\$ 130,875	\$ 120,395	\$ 196,251	\$ 134,722
Contributions in relation to the contractually required contribution	<u>(173,603)</u>	<u>(130,875)</u>	<u>(120,395)</u>	<u>(196,251)</u>	<u>(134,722)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,228,437	\$ 7,701,121	\$ 6,465,521	\$ 6,791,495	\$ 6,929,278
Contributions as a percentage of covered payroll	2.11%	1.70%	1.86%	2.89%	1.94%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 270,623
Contributions in relation to the contractually required contribution	-	-	-	-	(270,623)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 29,464,893	\$ 28,541,871	\$ 25,838,086	\$ 23,562,886	\$ 27,062,346
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Pass Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 357,877	\$ 0
National School Lunch Program	10.555	1,332,352	202,502
Special Milk Program for Children	10.556	4,811	0
Summer Food Service Program for Children	10.559	16,237	0
Total Child Nutrition Cluster		<u>1,711,277</u>	<u>202,502</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,711,277</u>	<u>202,502</u>
<b><u>U.S. Department of Education</u></b>			
<i>Pass Through the Ohio Department of Education</i>			
Title I - Grants to Local Educational Agencies - 2017	84.010	1,547,397	0
Total CFDA #84.010		<u>1,547,397</u>	<u>0</u>
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	1,201,248	0
Special Education Preschool Grants	84.173	40,741	0
Total Special Education Cluster (IDEA)		<u>1,241,989</u>	<u>0</u>
English Language Acquisition Grants	84.365	32,273	0
Improving Teacher Quality State Grants	84.367	187,673	0
Student Support and Academic Enrichment Program	84.424	30,222	0
<b>Total U.S. Department of Education</b>		<u>3,039,554</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 4,750,831</u>	<u>\$ 202,502</u>

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



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Huber Heights City School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. INDIRECT COST RATE**

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance

**NOTE 4: CHILD NUTRITION CLUSTER**

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

**NOTE 5. FOOD DONATION PROGRAM**

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

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Board of Education  
Huber Heights City School District  
Huber Heights, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City School District, Montgomery County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 12, 2018

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of Board of Education  
Huber Heights City School District  
Huber Heights, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

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

We have audited the Huber Heights City School District, Montgomery County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the Huber Heights City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### ***Report on Internal Control over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 12, 2018

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

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

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2018(v)	Type of Major Programs' Compliance Opinions	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list):  Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555 Special Milk Program for Children - CFDA #10.556 Summer Food Service Program for Children - CFDA #10.559	
2018(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2018(ix)	Low Risk Auditee?	Yes

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

None.

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

None.

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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The prior audit report, as of June 30, 2017, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**HUBER HEIGHTS CITY SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2019**