

**Huber Heights City School District
Montgomery County, Ohio**

Basic Financial Statements

June 30, 2010

with Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Huber Heights City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 21, 2010

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

Independent Auditors' Report	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis	3-10
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16-17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund	20-21
Statement of Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust	23
Notes to the Basic Financial Statements	24-49
Schedule of Expenditures of Federal Awards	50
Notes to the Schedule of Expenditures of Federal Awards	51
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	54-55
Schedule of Findings and Questioned Costs	56-57
Independent Accountants' Report on Applying Agreed Upon Procedures	58-59

Independent Auditors' Report

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

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 (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 23, 2010

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010***

Unaudited

The discussion and analysis of Huber Heights City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- ❑ In total, net assets decreased \$1,454,949. This represented a 1% change from the amount reported in the prior fiscal year.
- ❑ General revenues accounted for \$65,467,302 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,533,494 or 14% of total revenues of \$76,000,796.
- ❑ The District had \$77,455,745 in expenses related to governmental activities; \$10,533,494 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$65,467,302 were also available to provide for these programs.
- ❑ The District's general fund had \$59,180,069 in revenues and \$63,478,914 in expenditures. The general fund's fund balance decreased \$4,428,784 to \$17,250,913.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010***

Unaudited

Government-wide Statements

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

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

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

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

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

Fund Financial Statements

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Unaudited

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2010 compared to 2009.

	Governmental Activities		Increase (Decrease)
	2010	2009	
Current and other assets	\$218,822,766	\$229,594,467	(\$10,771,701)
Capital assets, Net	<u>30,374,677</u>	<u>21,502,943</u>	<u>8,871,734</u>
Total assets	249,197,443	251,097,410	(1,899,967)
Long-term debt outstanding	84,006,742	2,476,455	81,530,287
Other liabilities	<u>38,180,066</u>	<u>120,155,371</u>	<u>(81,975,305)</u>
Total liabilities	<u>122,186,808</u>	<u>122,631,826</u>	<u>(445,018)</u>
Net assets			
Invested in capital assets, net of related debt	29,068,428	18,390,965	10,677,463
Restricted	82,060,213	88,009,483	(5,949,270)
Unrestricted	<u>15,881,994</u>	<u>22,065,136</u>	<u>(6,183,142)</u>
Total net assets	<u>\$127,010,635</u>	<u>\$128,465,584</u>	<u>(\$1,454,949)</u>

The continued construction of new school facilities resulted in an increase in capital assets, and a corresponding decrease in current assets (cash). The retirement of \$82 million of bond anticipation notes through the issuance of long term debt resulted in the substantial shift of liabilities from short term to long term.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 compared to 2009:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Revenues			
Program revenues:			
Charges for Services and Sales	\$2,812,808	\$3,033,773	(\$220,965)
Operating Grants and Contributions	7,720,686	4,611,131	3,109,555
Capital Grants and Contributions	0	84,837,045	(84,837,045)
Total Program revenues	10,533,494	92,481,949	(81,948,455)
General revenues:			
Property Taxes	32,272,766	30,575,633	1,697,133
Intergovernmental, Unrestricted	32,303,886	33,617,650	(1,313,764)
Other	890,650	1,280,462	(389,812)
Total General revenues	65,467,302	65,473,745	(6,443)
Total revenues	76,000,796	157,955,694	(81,954,898)
Program Expenses			
Instruction	46,882,492	43,537,175	3,345,317
Support Services:			
Pupils	3,008,807	2,679,664	329,143
Instructional Staff	4,814,503	4,503,740	310,763
Board of Education	34,682	29,076	5,606
Administration	4,368,505	4,272,489	96,016
Fiscal Services	1,064,319	1,117,427	(53,108)
Business	546,871	593,969	(47,098)
Operation and Maintenance of Plant	5,006,891	5,064,104	(57,213)
Pupil Transportation	3,598,309	3,238,684	359,625
Central	569,406	594,798	(25,392)
Operation of Non-Instructional:			
Food Service Operations	2,338,398	2,372,993	(34,595)
Community Services	549,378	652,434	(103,056)
Extracurricular Activities	1,068,294	1,020,644	47,650
Debt Service:			
Interest and Fiscal Charges	3,604,890	663,968	2,940,922
Total expenses	77,455,745	70,341,165	7,114,580
Total Change in Net Assets	(1,454,949)	87,614,529	(89,069,478)
Beginning Net Assets	128,465,584	40,851,055	87,614,529
Ending Net Assets	\$127,010,635	\$128,465,584	(\$1,454,949)

Net assets of the District's governmental activities decreased \$1,454,949. Ohio School Facilities Commission grants received in fiscal 2009 resulted in the decrease in capital grants and contributions in fiscal 2010. The receipt of Federal stimulus money resulted in the increase in operating grants as well as instructional expenses.

HUBER HEIGHTS CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

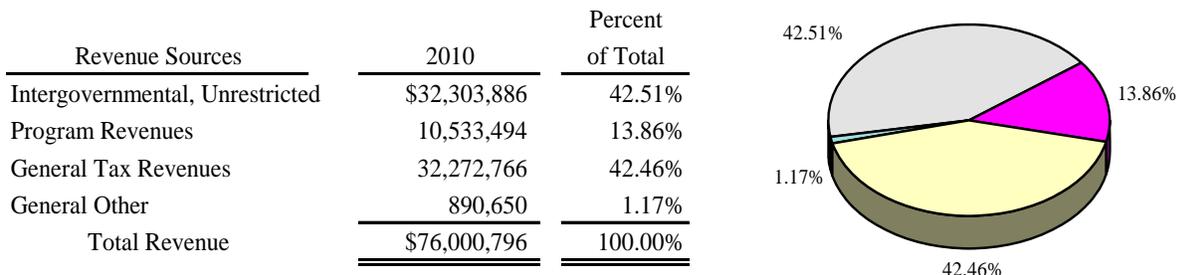
Unaudited

Governmental Activities

Unrestricted intergovernmental revenues decreased due to decreases in state foundation monies while receipts from a 6.92 mill property tax levy dedicated to the retirement of the school facility construction bonds resulted in the increase in property taxes. Interest and fiscal charges increased substantially due to bonds issued in fiscal 2010 for school construction.

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

Property taxes made up 42% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2010. The District's reliance upon tax revenues is demonstrated by the following graph:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$129,793,375, which is above last year's total of \$27,467,176. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$17,250,913	\$21,679,697	(\$4,428,784)
Ohio School Facilities	104,573,396	2,062,695	102,510,701
Other Governmental	7,969,066	3,724,784	4,244,282
Total	\$129,793,375	\$27,467,176	\$102,326,199

The substantial increase in the District's Other Governmental Funds can be attributed to collection of the debt service property tax levy passed in 2008 as well as Federal stimulus money received. The Ohio School Facilities fund received \$78 million in long term debt proceeds as well as \$31 million in grant money for the construction of new school buildings.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Unaudited

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

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$26,115,917	\$26,821,310	(\$705,393)
Tuition	482,046	487,549	(5,503)
Transportation Fees	15,113	0	15,113
Investment Earnings	81,327	467,026	(385,699)
Extracurricular Activities	153,587	156,782	(3,195)
Class Materials and Fees	182,944	253,295	(70,351)
Intermediate Sources	319,417	168,916	150,501
Intergovernmental - State	31,319,329	33,146,673	(1,827,344)
Intergovernmental - Federal	207,998	126,285	81,713
All Other Revenue	302,391	377,879	(75,488)
Total	\$59,180,069	\$62,005,715	(\$2,825,646)

General Fund revenues in 2010 decreased approximately 5% compared to revenues in fiscal year 2009. A phase out of the personal property tax resulted in the decrease in taxes. Lower interest rates resulted in the decrease in investment earnings while decreases in intergovernmental revenue can be attributed to a decrease in State foundation monies.

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Instruction	\$42,417,142	\$41,557,531	\$859,611
Supporting Services:			
Pupils	2,900,842	2,564,213	336,629
Instructional Staff	3,776,205	3,580,289	195,916
Board of Education	34,682	29,076	5,606
Administration	4,262,228	4,154,948	107,280
Fiscal Services	995,442	1,048,438	(52,996)
Business	492,887	595,586	(102,699)
Operation and Maintenance of Plant	3,939,428	5,035,840	(1,096,412)
Pupil Transportation	3,330,679	2,966,083	364,596
Central	561,922	550,993	10,929
Extracurricular Activities	654,869	548,855	106,014
Debt Service			
Principal Retirement	30,365	30,365	0
Interest and Fiscal Charges	82,223	44,306	37,917
Total	\$63,478,914	\$62,706,523	\$772,391

HUBER HEIGHTS CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

Unaudited

Expenditures increased \$772,391 or approximately 1% compared to the prior year. Operation and maintenance of plant decreased significantly due to some utility costs being paid from other governmental funds.

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

During the course of fiscal year 2010 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue estimates were 3% less than original budget amounts. Actual budget basis revenue of \$61 million was 2% less than final budget estimates. Actual budget basis expenditures were 5% less than final budget estimates due mostly to decreases in expenditures for instruction and operation and maintenance of plant. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010 the District had \$30,374,677 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$978,013	\$978,013	\$0
Construction in Progress	11,929,760	2,514,354	9,415,406
Land Improvements	2,084,348	2,045,658	38,690
Buildings and Improvements	26,293,732	26,208,027	85,705
Machinery and Equipment	4,050,490	4,018,568	31,922
Vehicles	3,505,318	3,319,012	186,306
Less: Accumulated Depreciation	(18,466,984)	(17,580,689)	(886,295)
Totals	<u>\$30,374,677</u>	<u>\$21,502,943</u>	<u>\$8,871,734</u>

The increase in construction in progress consisted of new school facility construction as well as a stadium project to upgrade bleachers and restrooms.

Additional information on the District's capital assets can be found in Note 8.

HUBER HEIGHTS CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

Debt

At June 30, 2010, the District had \$80 million in bonds outstanding for the construction of new school facilities, \$855,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Governmental Activities:		
Energy Conservation Notes:		
School Improvement	\$151,825	\$182,190
General Obligation Bonds:		
School Improvement	80,015,000	0
Certificates of Participation:		
School Improvement	1,700,000	
Capital Leases Payable	243,052	415,434
Compensated Absences	1,896,865	1,878,831
Totals	<u>\$84,006,742</u>	<u>\$2,476,455</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2010, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The House Bill 1 (HB 1) was signed by the Governor in July of 2009 which was to overhaul the school funding model (Ohio Evidence-Based Model), but the economic downturn in the economy has forced the State of Ohio to fund the District at 98% of the fiscal year 2010 level. Further, property tax revenue has flattened over the past couple of years. Because of the uncertainty in the financial resources of the District, reductions to expenditures will be reviewed as to have the least amount of impact on the instructional level as possible.

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

REQUESTS FOR INFORMATION

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

This Page Intentionally Left Blank

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Net Assets ***June 30, 2010***

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 44,812,101
Investments	91,235,093
Receivables:	
Taxes	31,975,976
Accounts	3,299
Intergovernmental	49,539,915
Inventory of Supplies at Cost	393,002
Restricted Assets:	
Cash and Cash Equivalents	827,054
Cash with Fiscal Agent	36,326
Non-Depreciable Capital Assets	12,907,773
Depreciable Capital Assets, Net	17,466,904
Total Assets	249,197,443
Liabilities:	
Accounts Payable	1,211,052
Accrued Wages and Benefits	6,343,042
Intergovernmental Payable	1,692,676
Unearned Revenue - Taxes	28,611,922
Accrued Interest Payable	321,374
Long Term Liabilities:	
Due Within One Year	1,460,158
Due in More Than One Year	82,546,584
Total Liabilities	122,186,808
Net Assets:	
Invested in Capital Assets, Net of Related Debt	29,068,428
Restricted For:	
Capital Projects	77,941,209
Debt Service	2,220,981
Other Purposes	1,898,023
Unrestricted	15,881,994
Total Net Assets	\$ 127,010,635

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2010

		Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 46,882,492	\$ 824,921	\$ 3,728,159	\$ (42,329,412)
Support Services:				
Pupils	3,008,807	0	115,089	(2,893,718)
Instructional Staff	4,814,503	0	1,167,218	(3,647,285)
Board of Education	34,682	0	0	(34,682)
Administration	4,368,505	0	57,837	(4,310,668)
Fiscal Services	1,064,319	0	0	(1,064,319)
Business	546,871	0	50,400	(496,471)
Operation and Maintenance of Plant	5,006,891	0	908,506	(4,098,385)
Pupil Transportation	3,598,309	15,113	68,484	(3,514,712)
Central	569,406	0	34,408	(534,998)
Operation of Non-Instructional:				
Food Service Operations	2,338,398	1,170,537	1,164,471	(3,390)
Community Services	549,378	0	426,114	(123,264)
Extracurricular Activities	1,068,294	802,237	0	(266,057)
Interest and Fiscal Charges	3,604,890	0	0	(3,604,890)
Total Governmental Activities	\$ 77,455,745	\$ 2,812,808	\$ 7,720,686	\$ (66,922,251)

General Revenues

Property Taxes Levied for:

General Purposes	26,746,656
Debt Service	4,548,899
Capital Outlay	977,211
Intergovernmental, Unrestricted	32,303,886
Investment Earnings	573,438
Miscellaneous	317,212
Total General Revenues	65,467,302
Change in Net Assets	(1,454,949)
Net Assets Beginning of Year	128,465,584
Net Assets End of Year	\$ 127,010,635

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2010

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 12,965,590	\$ 25,334,336	\$ 6,512,175	\$ 44,812,101
Investments	8,640,667	79,865,331	2,729,095	91,235,093
Receivables:				
Taxes	26,485,910	0	5,490,066	31,975,976
Accounts	0	0	3,299	3,299
Intergovernmental	34,407	48,665,207	840,301	49,539,915
Interfund Loans Receivable	782,724	0	0	782,724
Inventory of Supplies at Cost	373,186	0	19,816	393,002
Restricted Assets:				
Cash and Cash Equivalents	827,054	0	0	827,054
Cash with Fiscal Agent	0	0	36,326	36,326
Total Assets	\$ 50,109,538	\$ 153,864,874	\$ 15,631,078	\$ 219,605,490
Liabilities:				
Accounts Payable	\$ 266,948	\$ 804,584	\$ 139,520	\$ 1,211,052
Accrued Wages and Benefits	5,731,488	0	611,554	6,343,042
Intergovernmental Payable	1,570,472	0	122,204	1,692,676
Interfund Loans Payable	0	0	782,724	782,724
Deferred Revenue - Taxes	25,163,754	0	5,212,315	30,376,069
Deferred Revenue	0	48,486,894	791,193	49,278,087
Compensated Absences Payable	125,963	0	2,502	128,465
Total Liabilities	\$ 32,858,625	\$ 49,291,478	\$ 7,662,012	\$ 89,812,115
Fund Balance:				
Reserved for Encumbrances	393,535	70,737,997	1,194,671	72,326,203
Reserved for Supplies Inventory	373,186	0	19,816	393,002
Reserved for Property Taxes	1,322,156	0	277,751	1,599,907
Reserved for Textbooks	827,054	0	0	827,054
Reserved for Matured Bonds and Interest Payable	0	0	21,446	21,446
Reserved for Restricted Donations	0	0	14,880	14,880
Unreserved, Undesignated in:				
General Fund	14,334,982	0	0	14,334,982
Special Revenue Funds	0	0	37,629	37,629
Capital Projects Funds	0	33,835,399	4,358,298	38,193,697
Debt Service Funds	0	0	2,044,575	2,044,575
Total Fund Balance	17,250,913	104,573,396	7,969,066	129,793,375
Total Liabilities and Fund Balance	\$ 50,109,538	\$ 153,864,874	\$ 15,631,078	\$ 219,605,490

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2010

Total Governmental Fund Balances		\$ 129,793,375
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		30,374,677
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		51,042,234
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	(80,015,000)	
Certificates of Participation	(1,700,000)	
Energy Conservation Notes Payable	(151,825)	
Capital Leases Payable	(243,052)	
Compensated Absences Payable	(1,768,400)	
Interest Payable	(321,374)	(84,199,651)
Net Assets of Governmental Activities		<u>\$ 127,010,635</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2010

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	\$ 26,115,917	\$ 0	\$ 5,395,440	\$ 31,511,357
Tuition	482,046	0	2,100	484,146
Transportation Fees	15,113	0	0	15,113
Investment Earnings	81,327	485,373	6,738	573,438
Food Services	0	0	1,170,537	1,170,537
Extracurricular Activities	153,587	0	648,650	802,237
Class Materials and Fees	182,944	0	157,831	340,775
Intermediate Sources	319,417	0	0	319,417
Intergovernmental - State	31,319,329	31,430,549	1,377,546	64,127,424
Intergovernmental - Federal	207,998	0	6,888,488	7,096,486
All Other Revenue	302,391	11,038	3,783	317,212
Total Revenue	59,180,069	31,926,960	15,651,113	106,758,142
Expenditures:				
Current:				
Instruction	42,417,142	0	3,804,956	46,222,098
Supporting Services:				
Pupils	2,900,842	0	105,823	3,006,665
Instructional Staff	3,776,205	0	1,026,581	4,802,786
Board of Education	34,682	0	0	34,682
Administration	4,262,228	0	59,173	4,321,401
Fiscal Services	995,442	0	58,780	1,054,222
Business	492,887	0	48,798	541,685
Operation and Maintenance of Plant	3,939,428	0	879,637	4,819,065
Pupil Transportation	3,330,679	0	68,393	3,399,072
Central	561,922	0	34,399	596,321
Operation of Non-Instructional:				
Food Service Operations	0	0	2,335,947	2,335,947
Community Services	0	0	549,673	549,673
Extracurricular Activities	654,869	0	409,429	1,064,298
Capital Outlay	0	8,318,932	1,464,427	9,783,359
Debt Service:				
Principal Retirement	30,365	0	2,157,382	2,187,747
Interest & Fiscal Charges	82,223	206,969	3,216,508	3,505,700
Total Expenditures	63,478,914	8,525,901	16,219,906	88,224,721

HUBER HEIGHTS CITY SCHOOL DISTRICT

	<u>General</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,298,845)	23,401,059	(568,793)	18,533,421
Other Financing Sources (Uses):				
General Obligation Bonds Issued	0	78,228,184	3,771,816	82,000,000
Certificates of Participation Issued	500,000	0	1,200,000	1,700,000
Premium on Sale of Bonds	0	0	218,012	218,012
Transfers In	0	881,458	543,281	1,424,739
Transfers Out	(500,781)	0	(923,958)	(1,424,739)
Total Other Financing Sources (Uses)	<u>(781)</u>	<u>79,109,642</u>	<u>4,809,151</u>	<u>83,918,012</u>
Net Change in Fund Balance	(4,299,626)	102,510,701	4,240,358	102,451,433
Fund Balance at Beginning of Year	21,679,697	2,062,695	3,724,784	27,467,176
Increase (Decrease) in Inventory Reserve	(129,158)	0	3,924	(125,234)
Fund Balance End of Year	<u>\$ 17,250,913</u>	<u>\$ 104,573,396</u>	<u>\$ 7,969,066</u>	<u>\$ 129,793,375</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

***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, 2010***

Net Change in Fund Balances - Total Governmental Funds \$ 102,451,433

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period 8,882,050

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (10,316)

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

Change in Deferred Revenues	(30,757,346)	
Change in Inventory	<u>(125,234)</u>	(30,882,580)

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

General Obligation Bonds Issued	(82,000,000)	
Certificates of Participation Issued	(1,700,000)	
Energy Conservation Note Principal Payment	30,365	
General Obligation Bond Principal Payment	1,985,000	
Capital Lease Principal Payment	<u>172,382</u>	(81,512,253)

In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, an interest expenditure is reported when due. (317,202)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (66,081)

Change in Net Assets of Governmental Activities \$ (1,454,949)

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

This Page Intentionally Left Blank

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Fiscal Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 27,624,526	\$ 26,805,878	\$ 26,223,743	\$ (582,135)
Tuition	507,795	492,747	482,046	(10,701)
Investment Earnings	43,962	42,659	41,733	(926)
Extracurricular Activities	161,791	156,996	153,587	(3,409)
Class Material and Fees	365,516	358,240	182,944	(175,296)
Intermediate Sources	336,479	326,508	319,417	(7,091)
Intergovernmental - State	33,280,157	32,293,905	31,592,588	(701,317)
Intergovernmental - Federal	219,109	212,615	207,998	(4,617)
All Other Revenues	298,219	289,381	283,097	(6,284)
Total Revenues	62,837,554	60,978,929	59,487,153	(1,491,776)
Expenditures:				
Current:				
Instruction	43,521,334	44,139,720	42,748,659	1,391,061
Support Services:				
Pupils	2,730,709	2,855,236	2,855,230	6
Instructional Staff	3,415,256	3,676,156	3,676,156	0
Board of Education	50,000	50,000	34,615	15,385
Administration	4,469,929	4,469,929	4,300,909	169,020
Fiscal Services	1,900,626	1,278,236	994,255	283,981
Business	685,059	685,059	525,054	160,005
Operation and Maintenance of Plant	6,197,144	5,034,414	4,099,776	934,638
Pupil Transportation	3,320,124	3,447,277	3,300,786	146,491
Central	615,000	615,700	582,749	32,951
Extracurricular Activities	560,600	623,420	621,989	1,431
Debt Service:				
Principal Retirement	1,789,206	728,759	530,365	198,394
Interest and Fiscal Charges	48,794	109,241	84,053	25,188
Total Expenditures	69,303,781	67,713,147	64,354,596	3,358,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,466,227)	(6,734,218)	(4,867,443)	1,866,775

HUBER HEIGHTS CITY SCHOOL DISTRICT

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other Financing Sources (Uses):				
Certificates of Participation Issued	500,000	500,000	500,000	0
Transfers Out	(500,000)	(500,000)	(500,781)	(781)
Advances In	986,024	986,024	986,024	0
Advances Out	0	0	(932,724)	(932,724)
Refund of Prior Year's Receipts	0	(430,000)	(273,260)	156,740
Total Other Financing Sources (Uses):	<u>986,024</u>	<u>556,024</u>	<u>(220,741)</u>	<u>(776,765)</u>
Net Change in Fund Balance	(5,480,203)	(6,178,194)	(5,088,184)	1,090,010
Fund Balance at Beginning of Year	24,792,706	24,792,706	24,792,706	0
Prior Year Encumbrances	876,697	876,697	876,697	0
Fund Balance at End of Year	<u>\$ 20,189,200</u>	<u>\$ 19,491,209</u>	<u>\$ 20,581,219</u>	<u>\$ 1,090,010</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	
	Special Trust	Agency
	Fund	
Assets:		
Cash and Cash Equivalents	\$ 9,431	\$ 95,140
Total Assets	<u>9,431</u>	<u>95,140</u>
Liabilities:		
Due to Students	<u>0</u>	<u>95,140</u>
Total Liabilities	<u>0</u>	<u>95,140</u>
Net Assets:		
Unrestricted	<u>9,431</u>	<u>0</u>
Total Net Assets	<u><u>\$ 9,431</u></u>	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010***

	Private Purpose Trust
	<u>Special Trust</u>
	<u>Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 2,969
Total Additions	<u>2,969</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>2,500</u>
Total Deductions	<u>2,500</u>
Change in Net Assets	469
Net Assets at Beginning of Year	<u>8,962</u>
Net Assets End of Year	<u><u>\$ 9,431</u></u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 345 non-certified and approximately 508 certified teaching personnel and administrative employees providing education to 6,622 students.

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

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

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

B. Basis of Presentation - Fund Accounting

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Ohio School Facilities Fund - This fund accounts for state grant monies and debt proceeds to be used for the construction of new school facilities.

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

C. Basis of Presentation - Financial Statements

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

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2010 which are not intended to finance fiscal 2010 operations have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2010 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

E. Budgetary Process

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

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

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 2010.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance
	<u>General Fund</u>
GAAP Basis (as reported)	(\$4,299,626)
Increase (Decrease):	
Accrued Revenues at June 30, 2010, received during FY 2011	(3,331,200)
Accrued Revenues at June 30, 2009, received during FY 2010	3,418,324
Accrued Expenditures at June 30, 2010, paid during FY 2011	7,694,871
Accrued Expenditures at June 30, 2009, paid during FY 2010	(7,910,374)
Encumbrances Outstanding	<u>(660,179)</u>
Budget Basis	<u><u>(\$5,088,184)</u></u>

F. Cash and Cash Equivalents

During fiscal year 2010 cash and cash equivalents included amounts in demand deposits, money market accounts, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments (Continued)

The District has invested funds in the STAR Ohio during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

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

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

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net assets but are not reported in the fund financial statements.

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Depreciation

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

<u>Description</u>	<u>Governmental Activities Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	25 – 100
Machinery and Equipment	5 - 20
Vehicles	10

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Energy Conservation Notes	General Fund
General Obligation Bonds	Debt Service Fund
Certificates of Participation	General Fund, Debt Service Fund
Capital Leases Payable	Permanent Improvement Fund
Compensated Absences	General Fund, Food Services Fund, and Latchkey Fund

K. Compensated Absences

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2010 there were no net assets restricted by enabling legislation.

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

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook and instructional materials reserve. Cash with fiscal agent represents cash and cash equivalents restricted in use for the retirement of matured bonds and interest payable as well as for the purchase of bricks for a memorial courtyard. Fund balance reserves have been established for these amounts.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

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

Q. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2010.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2010 of \$18,853 in the Food Service Fund, \$69,765 in the Latchkey Fund, \$82 in the Management Information System Fund, \$232 in the Miscellaneous State Grant Fund, \$3,006 in the Immigrant Grant Fund, \$474,651 in the Title VI-B Fund, \$33,315 in the Title I Fund, and \$9,509 in the Improving Teacher Quality Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2010

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$42,757,438 and the bank balance was \$43,316,318. Federal depository insurance covered \$750,000 of the bank balance and \$42,566,318 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$42,566,318
Total Balance	\$42,566,318

B. Investments

The District's investments at June 30, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
STAR Ohio	\$3,022,614	AAAm ¹	\$3,022,614	\$0
US Treasury Notes/Bills	95,664	N/A	0	95,664
US Treasury Money Market	181,360	N/A	181,360	0
FHCB	4,887,728	AAA ^{1,2}	4,697,832	189,896
FNMA	23,555,771	AAA ^{1,2}	17,276,993	6,278,778
FHLB	60,370,909	AAA ^{1,2}	34,645,681	25,725,228
FHLMC	2,143,661	AAA ^{1,2}	1,767,491	376,170
Total Investments	\$94,257,707		\$61,591,971	\$32,665,736

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 3.2% are STAR Ohio, 0.1% are United States Treasury Notes, 0.2% are Money Market Funds, 5.2% are FFCB, 25.0% are FNMA, 64.0% are FHLB, and 2.3% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$45,780,052	\$91,235,093
Investments:		
STAR Ohio	<u>(3,022,614)</u>	<u>3,022,614</u>
Per GASB Statement No. 3	<u>\$42,757,438</u>	<u>\$94,257,707</u>

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$81,327, which includes \$25,144 assigned from other District funds.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2010 were levied after April 1, 2009 on assessed values as of January 1, 2009, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2008, and equalization adjustments were made in 2005. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Huber Heights City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2010 receipts were based are:

	2009 Second Half Collections	2010 First Half Collections
Agricultural/Residential and Other Real Estate	\$734,626,880	\$741,060,390
Public Utility Personal	10,252,550	10,138,630
Tangible Personal Property	1,746,030	283,680
Total Assessed Value	<u>\$746,625,460</u>	<u>\$751,482,700</u>
Tax rate per \$1,000 of assessed valuation	\$69.25	\$69.25

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 5 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of intergovernmental receivables follows:

Fund	Amount
General Fund	\$34,407
Auxiliary Services Fund	33,010
Title VI-B Fund	41,395
Tech II-D Fund	2,436
Title I Fund	718,956
Preschool Grant Fund	10,319
Improving Teacher Quality Fund	18,087
Federal Grants Fund	16,098
Ohio School Facilities Commission Fund	48,665,207
	\$49,539,915

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2010:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$782,724	\$0
Other Governmental Funds	0	782,724
Totals	\$782,724	\$782,724

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

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for the fiscal year 2010:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$500,781
Ohio School Facilities Fund	881,458	0
Other Governmental Funds	543,281	923,958
Total All Funds	\$1,424,739	\$1,424,739

Transfers in fiscal 2010 included a \$500,000 transfer from the General Fund to the Food Service Fund to assist with cash flow. Transfers out of other governmental funds consisted of transfers out of the Debt Service Fund to the Ohio School Facilities Fund and Local Funds Initiative Fund to reclassify note retirement.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

NOTE 8 - CAPITAL ASSETS

Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2010:

Historical Cost:

<u>Class</u>	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$978,013	\$0	\$0	\$978,013
Construction in Progress	2,514,354	9,415,406	0	11,929,760
	<u>3,492,367</u>	<u>9,415,406</u>	<u>0</u>	<u>12,907,773</u>
Capital assets being depreciated:				
Land Improvements	2,045,658	38,690	0	2,084,348
Buildings and Improvements	26,208,027	85,705	0	26,293,732
Machinery and Equipment	4,018,568	31,922	0	4,050,490
Vehicles	3,319,012	289,468	(103,162)	3,505,318
Total Cost	<u>\$39,083,632</u>	<u>\$9,861,191</u>	<u>(\$103,162)</u>	<u>\$48,841,661</u>
Accumulated Depreciation:				
<u>Class</u>	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Land Improvements	(\$979,119)	(\$53,432)	\$0	(\$1,032,551)
Buildings and Improvements	(12,069,184)	(527,572)	0	(12,596,756)
Machinery and Equipment	(2,868,846)	(107,988)	0	(2,976,834)
Vehicles	(1,663,540)	(290,149)	92,846	(1,860,843)
Total Depreciation	<u>(\$17,580,689)</u>	<u>(\$979,141) *</u>	<u>\$92,846</u>	<u>(\$18,466,984)</u>
Net Value:	<u>\$21,502,943</u>			<u>\$30,374,677</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$575,426
Support Services:	
Administration	76,136
Fiscal Services	770
Business	1,080
Operations & Maintenance of Plant	54,119
Pupil Transportation	263,176
Non-Instructional Services	
Food Service Operations	4,438
Extracurricular Activities	3,996
Total Depreciation Expense	<u>\$979,141</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,179,547, \$808,805 and \$757,255 respectively, which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,130,735, \$4,031,051, and \$3,770,097 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$115,625 made by the District and \$82,589 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$187,329, \$507,386, and \$476,891 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$70,145, \$66,733, and \$54,562 respectively; which were equal to the required contributions for each year.

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010***

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$317,749, \$310,081, and \$290,007 respectively; which were equal to the required contributions for each year.

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2010, was as follows:

<u>Note Payable</u>		<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
School Improvement	4.25%	\$500,000	\$0	(\$500,000)	\$0
School Improvement	2.00%	67,750,000	0	(67,750,000)	0
School Improvement	2.00%	14,250,000	0	(14,250,000)	0
		<u>\$82,500,000</u>	<u>\$0</u>	<u>(\$82,500,000)</u>	<u>\$0</u>

These notes were issued in anticipation of the issuance of general obligation bonds for the purpose of school building improvements.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long term debt of the District for the year ended June 30, 2010 is as follows:

		Balance			Balance	Amount Due
		June 30, 2009	Additions	Deductions	June 30, 2010	Within One Year
Governmental Activities:						
Energy Conservation Note:						
School Improvement - 4.58%	2005	\$182,190	\$0	(\$30,365)	\$151,825	\$30,365
General Obligation Bonds:						
School Improvement - 2.0-5.0%	2010	0	82,000,000	(1,985,000)	80,015,000	855,000
Certification of Participation:						
School Improvement - 6.75%	2010	0	1,700,000	0	1,700,000	60,000
Capital Leases Payable		415,434	0	(172,382)	243,052	140,052
Compensated Absences		1,878,831	228,219	(210,185)	1,896,865	374,741
Total Long Term Debt and Other Obligations		<u>\$2,476,455</u>	<u>\$83,928,219</u>	<u>(\$2,397,932)</u>	<u>\$84,006,742</u>	<u>\$1,460,158</u>

The original amounts of the long term notes payable of \$303,650 were used to finance the cost of acquiring and installing energy conservation measures. The \$82 million of General Obligation Bonds and \$1.7 million of Certificates of Participation are for the construction of seven new school buildings.

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2010 follows:

Years	Energy Conservation Notes		General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$30,365	\$6,954	\$855,000	\$3,691,468	\$60,000	\$112,725
2012	30,365	5,563	875,000	3,673,075	75,000	108,169
2013	30,365	4,172	1,030,000	3,651,644	80,000	102,938
2014	30,365	2,781	1,055,000	3,626,869	85,000	97,369
2015	30,365	1,391	1,080,000	3,600,182	90,000	91,463
2016-2020	0	0	8,760,000	17,279,100	550,000	354,039
2021-2025	0	0	12,775,000	14,856,609	760,000	135,000
2026-2030	0	0	17,570,000	11,281,341	0	0
2031-2035	0	0	24,155,000	6,128,125	0	0
2036-2037	0	0	11,860,000	604,750	0	0
Totals	<u>\$151,825</u>	<u>\$20,861</u>	<u>\$80,015,000</u>	<u>\$68,393,163</u>	<u>\$1,700,000</u>	<u>\$1,001,703</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 13 - CAPITALIZED LEASE

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$498,864.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2010:

Year Ending June 30,	Capital Lease
2011	\$149,888
2012	106,092
Minimum Lease Payments	255,980
Less: Amount representing interest at the District's incremental borrowing rate of interest	(12,928)
Present Value of minimum lease payments	\$243,052

NOTE 14 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2010, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Reserve Balance as of June 30, 2009	\$807,462	\$729,413	\$1,536,875
Current Year Set-Aside Requirement	1,031,708	1,031,708	2,063,416
Current Year Qualifying Expenditures	(1,012,116)	0	(1,012,116)
Current Year Offsets	0	(4,415,147)	(4,415,147)
Total	\$827,054	(\$2,654,026)	(\$1,826,972)
Balance Carried Forward to FY 2011	\$827,054	(\$2,654,026)	(\$1,826,972)
Amount Restricted for Textbooks			\$827,054

Amounts not spent by year end must be held in cash and carried forward to be used for the same purpose in future years. During 2010 the District utilized the tax receipts recorded in the Debt Service Fund as an off-set to the capital spending requirement. These tax receipts are used to repay the debt issued to finance school construction projects, and may be carried forward to offset future year's capital acquisition set-aside requirements.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$104,458,249 for property. Property has a \$500 deductible. Both Vehicle and General liability insurance is under Indiana Insurance. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. An additional "umbrella" policy has \$10,000,000 per occurrence and \$10,000,000 aggregate limit. The superintendent, treasurer, messengers, athletic director and all principals are bonded.

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

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

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

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

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$254,589 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council – The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from various funds. During fiscal year 2010, the District paid \$331,443 to SOEPC. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2010, the School District paid \$3,280 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)

Educational Regional Service System Region 10 - The School District participates in the Educational Regional Service System (ERSS) Region 10, a jointly governed organization consisting of educational entities within Clark, Darke, Greene, Miami, Montgomery, and Preble counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio, 45402.

NOTE 17 – 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 2010, the District contributed \$8,031,119, which represented 7.41 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 18 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2010.

NOTE 19 – CONTRACTUAL COMMITMENTS

As of June 30, 2010 the District had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Amount of Commitment</u>	<u>Estimated Date of Completion</u>
New School Facility Construction	\$69,355,769	December 2012

Huber Heights City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	76,874	76,874
Cash Assistance				
National School Breakfast Program	05-PU	10.553	148,548	148,548
National School Lunch Program	LL-P4	10.555	899,206	899,206
Special Milk	02-PU	10.556	4,748	4,748
Summer Food Service Program	24-PU	10.559	<u>8,911</u>	<u>8,911</u>
Total U.S. Department of Agriculture			<u>1,138,287</u>	<u>1,138,287</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	1,161,637	1,002,475
Title I Grant - ARRA	C1-S1	84.389	<u>401,493</u>	<u>408,570</u>
Total Title I Cluster			<u>1,563,130</u>	<u>1,411,045</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	1,281,791	1,335,492
IDEA B - ARRA	6B-SF	84.391	693,855	642,647
IDEA Preschool	6B-SF	84.173	41,284	41,284
IDEA Preschool - ARRA	PG-S1	84.392	<u>13,563</u>	<u>11,139</u>
Total Special Education Cluster			<u>2,030,493</u>	<u>2,030,562</u>
Drug Free Schools and Communities	DR-10	84.186	19,211	19,211
Title V - Innovative Education Grant	C2-S1	84.298	5,819	-
Title II-D - Technology	TJ-S1	84.318	7,797	9,950
Improving Teacher Quality	CR-S1	84.367	320,647	237,704
Title III - Immigrant	T3-S2	84.365	53,366	53,366
State Fiscal Stabilization Fund - ARRA	NA	84.394	<u>1,730,825</u>	<u>1,675,825</u>
Total Passed Through Ohio Department of Education			<u>5,731,288</u>	<u>5,437,663</u>
<i>Direct Programs</i>				
Javits Gifted and Talented Students	N/A	84.206	-	6,550
Total U.S. Department of Education			<u>5,731,288</u>	<u>5,444,213</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>6,869,575</u>	\$ <u>6,582,500</u>

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

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2010, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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

**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***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

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*.

We noted certain matters that we reported to management of the District, in a separate letter dated November 23, 2010.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 23, 2010

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Huber Heights School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 23, 2010

**Huber Heights City School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted

Identification of major programs:
Title I Cluster:
 CFDA 84.010 – Title I
 CFDA 84.389 – Title I - ARRA

Special Education Cluster
 CFDA 84.027 – IDEA B
 CFDA 84.173 – IDEA Preschool
 CFDA 84.391 – IDEA B – ARRA
 CFDA 84.392 – IDEA Preschool – ARRA

 State Fiscal Stabilization Fund – ARRA
 CFDA 84.394

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

Finding 2009-001 - adjustment for accrued wages. Corrected.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education
Huber Heights City School District:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

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

1. We noted the Board adopted an anti-harassment policy at its meeting on February 11, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A procedure for documenting any prohibited incident that is reported;
 - (6) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents.
 - (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

- (8) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.
- (9) A procedure for responding to and investigating any reported incident;
- (10) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (11) A requirement to post the semi-annual written summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 23, 2010



Mary Taylor, CPA
Auditor of State

HUBER HEIGHTS CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2011**