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

Basic Financial Statements

June 30, 2012

with Independent Auditors' Report





# Dave Yost • 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, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 14, 2013

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## 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, 2012, 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, 2012, 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 December 7, 2012, 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.

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

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation the financial statements as a whole.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 7, 2012

# HUBER HEIGHTS CITY SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012*

*Unaudited*

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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, 2012. 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 2012 are as follows:

- ❑ In total, net assets decreased \$6,505,272. This represented a 6% change from the amount reported in the prior fiscal year.
- ❑ General revenues accounted for \$64,193,229 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,476,364 or 10% of total revenues of \$71,669,593.
- ❑ The District had \$78,174,865 in expenses related to governmental activities; \$7,476,364 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$64,193,229 were also available to provide for these programs.
- ❑ The District's general fund had \$59,691,988 in revenues and \$65,947,735 in expenditures. The general fund's fund balance decreased \$6,580,448 to \$5,744,917.

## 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**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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## **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, 2012**

**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 2012 compared to 2011.

	Governmental Activities		Increase (Decrease)
	2012	2011	
Current and other assets	\$91,733,132	\$152,088,249	(\$60,355,117)
Capital assets, Net	<u>140,671,145</u>	<u>91,102,871</u>	<u>49,568,274</u>
Total assets	<u>232,404,277</u>	<u>243,191,120</u>	<u>(10,786,843)</u>
Long-term debt outstanding	82,937,577	84,160,485	(1,222,908)
Other liabilities	<u>39,107,670</u>	<u>42,166,333</u>	<u>(3,058,663)</u>
Total liabilities	<u>122,045,247</u>	<u>126,326,818</u>	<u>(4,281,571)</u>
Net assets			
Invested in capital assets, net of related debt	98,446,254	89,112,311	9,333,943
Restricted	7,336,663	17,219,773	(9,883,110)
Unrestricted	<u>4,576,113</u>	<u>10,532,218</u>	<u>(5,956,105)</u>
Total net assets	<u><u>\$110,359,030</u></u>	<u><u>\$116,864,302</u></u>	<u><u>(\$6,505,272)</u></u>

The continued construction of new school facilities resulted in an increase in capital assets, and a corresponding decrease in current assets (receivables and cash). A reduction in outstanding long term debt as well as a decrease in outstanding payables for the school facilities construction project resulted in a decrease in liabilities.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2012 compared to 2011:

	Governmental Activities		Increase (Decrease)
	2012	2011	
<b>Revenues</b>			
Program revenues:			
Charges for Services and Sales	\$2,716,887	\$2,899,573	(\$182,686)
Operating Grants and Contributions	4,759,477	8,939,941	(4,180,464)
Total Program revenues	7,476,364	11,839,514	(4,363,150)
General revenues:			
Property Taxes	31,667,438	32,292,418	(624,980)
Intergovernmental, Unrestricted	31,740,517	32,002,548	(262,031)
Other	785,274	646,693	138,581
Total General revenues	64,193,229	64,941,659	(748,430)
Total revenues	71,669,593	76,781,173	(5,111,580)
<b>Program Expenses</b>			
Instruction	47,354,009	51,664,633	(4,310,624)
Support Services:			
Pupils	3,155,439	3,258,695	(103,256)
Instructional Staff	4,569,897	4,985,036	(415,139)
Board of Education	23,102	36,455	(13,353)
Administration	4,450,211	4,617,141	(166,930)
Fiscal Services	1,154,632	1,132,750	21,882
Business	444,065	581,532	(137,467)
Operation and Maintenance of Plant	5,307,193	5,732,653	(425,460)
Pupil Transportation	3,636,672	3,497,154	139,518
Central	478,556	507,202	(28,646)
Operation of Non-Instructional:			
Food Service Operations	2,392,696	2,389,504	3,192
Community Services	390,276	517,280	(127,004)
Extracurricular Activities	1,025,995	1,107,668	(81,673)
Debt Service:			
Interest and Fiscal Charges	3,792,122	3,823,414	(31,292)
Total expenses	78,174,865	83,851,117	(5,676,252)
Total Change in Net Assets	(6,505,272)	(7,069,944)	564,672
Beginning Net Assets	116,864,302	123,934,246	(7,069,944)
Ending Net Assets	\$110,359,030	\$116,864,302	(\$6,505,272)

Net assets of the District's governmental activities decreased \$6,505,272. Federal grant money received in the prior year for the hiring of new employees and retention of existing employees resulted in a subsequent decrease in operating grants and contributions as well as instruction expenses in fiscal 2012.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

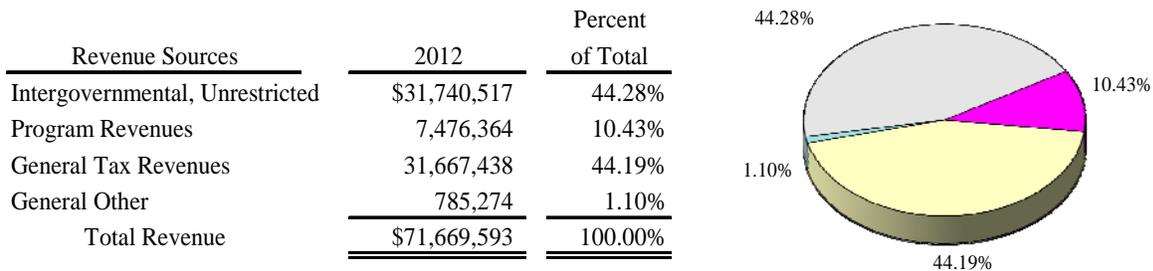
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Unaudited**

### **Governmental Activities**

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 44% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2012. 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 \$50,442,799, which is below last year's total of \$105,134,195. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$5,744,917	\$12,325,365	(\$6,580,448)
Ohio School Facilities	35,066,209	82,327,881	(47,261,672)
Other Governmental	9,631,673	10,480,949	(849,276)
Total	\$50,442,799	\$105,134,195	(\$54,691,396)

Expenditures continued to outpace revenues in the District's general fund, resulting in a decrease in fund balance. The decrease in the District's Other Governmental Funds can be attributed to federal grants received in the prior year for the hiring of new employees and retention of existing employees not repeated in fiscal 2012. The Ohio School Facilities fund balance decreased due to outlays for school building construction.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Unaudited**

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

	2012 Revenues	2011 Revenues	Increase (Decrease)
Taxes	\$26,814,000	\$26,770,892	\$43,108
Tuition	658,879	609,846	49,033
Investment Earnings	50,728	49,678	1,050
Extracurricular Activities	433,351	379,617	53,734
Class Materials and Fees	146,143	304,334	(158,191)
Intergovernmental - State	30,911,343	31,118,196	(206,853)
Intergovernmental - Federal	155,792	288,297	(132,505)
All Other Revenue	521,752	276,880	244,872
<b>Total</b>	<b>\$59,691,988</b>	<b>\$59,797,740</b>	<b>(\$105,752)</b>

General Fund revenues in 2012 remained stable, decreasing less than 1% compared to revenues in fiscal year 2011. The District's Latchkey child care program was discontinued, resulting in a decrease in class materials and fees.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Instruction	\$44,556,716	\$43,268,809	\$1,287,907
Supporting Services:			
Pupils	2,985,530	3,178,106	(192,576)
Instructional Staff	3,767,755	4,217,101	(449,346)
Board of Education	23,102	36,455	(13,353)
Administration	4,275,215	4,453,918	(178,703)
Fiscal Services	1,005,200	1,023,596	(18,396)
Business	452,515	581,452	(128,937)
Operation and Maintenance of Plant	4,395,508	3,813,811	581,697
Pupil Transportation	3,357,543	2,819,869	537,674
Central	509,338	497,839	11,499
Community Services	1,095	133,799	(132,704)
Extracurricular Activities	618,218	640,196	(21,978)
Debt Service			
Principal Retirement	0	90,365	(90,365)
Interest and Fiscal Charges	0	119,679	(119,679)
<b>Total</b>	<b>\$65,947,735</b>	<b>\$64,874,995</b>	<b>\$1,072,740</b>

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**

**Unaudited**

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Expenditures increased \$1,072,740 or approximately 2% compared to the prior year. A decrease in costs for special education aides contributed to the decrease in instructional staff. An increase in transportation can be attributed to an increase in fuel costs. The increase in operation and maintenance of plant can be attributed to an increase in utility costs, as new District school buildings are equipped with air conditioning. The District's Latchkey child care program was discontinued, resulting in a decrease in community services.

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 2012 the District amended its General Fund budget several times, none significant.

For the General Fund, original budget, final budget and actual budget basis revenue estimates were not significantly different. Actual budget basis expenditures were 1% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal 2012 the District had \$140,671,145 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities	Increase (Decrease)	
	2012	2011	
Land	\$970,003	\$970,003	\$0
Construction in Progress	53,912,072	74,031,720	(20,119,648)
Land Improvements	2,648,562	2,951,810	(303,248)
Buildings and Improvements	92,151,749	22,777,033	69,374,716
Machinery and Equipment	3,366,394	3,514,270	(147,876)
Vehicles	3,853,973	3,749,472	104,501
Less: Accumulated Depreciation	(16,231,608)	(16,891,437)	659,829
Totals	<u>\$140,671,145</u>	<u>\$91,102,871</u>	<u>\$49,568,274</u>

The District's school building construction project continued, with five schools completed in fiscal 2012.

Additional information on the District's capital assets can be found in Note 9.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Unaudited**

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## **Debt**

At June 30, 2012, the District had \$78 million in bonds outstanding for the construction of new school facilities, \$1,030,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
Energy Conservation Notes:		
School Improvement	\$91,095	\$121,460
General Obligation Bonds:		
School Improvement	78,285,000	79,160,000
Certificates of Participation:		
School Improvement	1,565,000	1,640,000
Early Retirement Incentive Payable	965,746	1,448,619
Capital Leases Payable	91,937	229,100
Compensated Absences	1,938,799	1,561,306
Totals	<u>\$82,937,577</u>	<u>\$84,160,485</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, 2012, 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 Governor's Office is currently working on a new formula to fund schools for the next school year. But, the continued economic downturn in the economy has forced the State of Ohio to decrease the funding to school districts currently. Further property tax revenue will mostly decrease in the next fiscal year, because of the drop in tax valuation. 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***

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# HUBER HEIGHTS CITY SCHOOL DISTRICT

## Statement of Net Assets June 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 13,796,557
Investments	44,198,323
Receivables:	
Taxes	30,694,683
Intergovernmental	731,379
Inventory of Supplies at Cost	304,840
Restricted Assets:	
Cash with Fiscal Agent	2,007,350
Non-Depreciable Capital Assets	54,882,075
Depreciable Capital Assets, Net	85,789,070
<b>Total Assets</b>	<b>232,404,277</b>
<b>Liabilities:</b>	
Accounts Payable	878,772
Accrued Wages and Benefits	6,507,565
Intergovernmental Payable	2,254,049
Unearned Revenue - Taxes	27,181,910
Retainage Payable	1,969,215
Accrued Interest Payable	316,159
Long Term Liabilities:	
Due Within One Year	2,167,270
Due in More Than One Year	80,770,307
<b>Total Liabilities</b>	<b>122,045,247</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	98,446,254
Restricted For:	
Capital Projects	1,824,009
Debt Service	3,227,939
Other Purposes	2,284,715
Unrestricted	4,576,113
<b>Total Net Assets</b>	<b>\$ 110,359,030</b>
See accompanying notes to the basic financial statements	

## HUBER HEIGHTS CITY SCHOOL DISTRICT

### Statement of Activities For the Fiscal Year Ended June 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 47,354,009	\$ 805,022	\$ 1,793,207	\$ (44,755,780)
Support Services:				
Pupils	3,155,439	0	139,571	(3,015,868)
Instructional Staff	4,569,897	0	808,318	(3,761,579)
Board of Education	23,102	0	0	(23,102)
Administration	4,450,211	0	46,691	(4,403,520)
Fiscal Services	1,154,632	0	0	(1,154,632)
Business	444,065	0	0	(444,065)
Operation and Maintenance of Plant	5,307,193	0	109,352	(5,197,841)
Pupil Transportation	3,636,672	0	0	(3,636,672)
Central	478,556	0	0	(478,556)
Operation of Non-Instructional:				
Food Service Operations	2,392,696	1,055,513	1,498,195	161,012
Community Services	390,276	0	364,143	(26,133)
Extracurricular Activities	1,025,995	856,352	0	(169,643)
Interest and Fiscal Charges	3,792,122	0	0	(3,792,122)
<b>Total Governmental Activities</b>	<b>\$ 78,174,865</b>	<b>\$ 2,716,887</b>	<b>\$ 4,759,477</b>	<b>(70,698,501)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				26,386,956
Debt Service				4,346,346
Capital Outlay				934,136
Intergovernmental, Unrestricted				31,740,517
Investment Earnings				255,043
Miscellaneous				530,231
Total General Revenues				64,193,229
Change in Net Assets				(6,505,272)
Net Assets Beginning of Year				116,864,302
Net Assets End of Year				\$ 110,359,030

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 6,779,613	\$ 119,387	\$ 6,897,557	\$ 13,796,557
Investments	5,009,837	36,292,514	2,895,972	44,198,323
Receivables:				
Taxes	25,593,426	0	5,101,257	30,694,683
Intergovernmental	62,457	0	668,922	731,379
Interfund Loans Receivable	92,851	0	0	92,851
Inventory of Supplies at Cost	290,757	0	14,083	304,840
Restricted Assets:				
Cash with Fiscal Agent	0	1,969,215	38,135	2,007,350
<b>Total Assets</b>	<b>\$ 37,828,941</b>	<b>\$ 38,381,116</b>	<b>\$ 15,615,926</b>	<b>\$ 91,825,983</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 67,857	\$ 636,838	\$ 174,077	\$ 878,772
Accrued Wages and Benefits	6,046,581	0	460,984	6,507,565
Intergovernmental Payable	1,451,690	708,854	93,505	2,254,049
Early Retirement Incentive Payable	482,873	0	0	482,873
Interfund Loans Payable	0	0	92,851	92,851
Deferred Revenue - Taxes	23,744,359	0	4,728,727	28,473,086
Deferred Revenue	0	0	434,109	434,109
Retainage Payable	0	1,969,215	0	1,969,215
Compensated Absences Payable	290,664	0	0	290,664
<b>Total Liabilities</b>	<b>32,084,024</b>	<b>3,314,907</b>	<b>5,984,253</b>	<b>41,383,184</b>
<b>Fund Balance:</b>				
Nonspendable	290,757	0	14,083	304,840
Restricted	0	35,066,209	10,007,703	45,073,912
Committed	11,000	0	0	11,000
Assigned	665,515	0	0	665,515
Unassigned	4,777,645	0	(390,113)	4,387,532
<b>Total Fund Balance</b>	<b>5,744,917</b>	<b>35,066,209</b>	<b>9,631,673</b>	<b>50,442,799</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 37,828,941</b>	<b>\$ 38,381,116</b>	<b>\$ 15,615,926</b>	<b>\$ 91,825,983</b>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2012***

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<b>Total Governmental Fund Balances</b>	\$	50,442,799
<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.		140,671,145
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		1,725,285
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	(78,285,000)	
Certificates of Participation	(1,565,000)	
Energy Conservation Notes Payable	(91,095)	
Capital Leases Payable	(91,937)	
Early Retirement Incentive Payable	(482,873)	
Compensated Absences Payable	(1,648,135)	
Interest Payable	(316,159)	(82,480,199)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>110,359,030</b>

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, 2012**

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 26,814,000	\$ 0	\$ 5,370,555	\$ 32,184,555
Tuition	658,879	0	0	658,879
Investment Earnings	50,728	181,269	23,046	255,043
Food Services	0	0	1,055,513	1,055,513
Extracurricular Activities	433,351	0	423,001	856,352
Class Materials and Fees	146,143	0	0	146,143
Intergovernmental - State	30,911,343	1,887,744	1,354,074	34,153,161
Intergovernmental - Federal	155,792	0	4,572,403	4,728,195
All Other Revenue	521,752	1,750	6,729	530,231
<b>Total Revenue</b>	<b>59,691,988</b>	<b>2,070,763</b>	<b>12,805,321</b>	<b>74,568,072</b>
<b>Expenditures:</b>				
Current:				
Instruction	44,556,716	0	2,079,344	46,636,060
Supporting Services:				
Pupils	2,985,530	0	134,923	3,120,453
Instructional Staff	3,767,755	0	779,915	4,547,670
Board of Education	23,102	0	0	23,102
Administration	4,275,215	0	46,372	4,321,587
Fiscal Services	1,005,200	46,163	97,691	1,149,054
Business	452,515	0	0	452,515
Operation and Maintenance of Plant	4,395,508	708,854	64,939	5,169,301
Pupil Transportation	3,357,543	0	19,445	3,376,988
Central	509,338	0	0	509,338
Operation of Non-Instructional:				
Food Service Operations	0	0	2,381,454	2,381,454
Community Services	1,095	0	406,487	407,582
Extracurricular Activities	618,218	0	393,281	1,011,499
Capital Outlay	0	48,618,184	2,553,115	51,171,299
Debt Service:				
Principal Retirement	0	0	1,117,528	1,117,528
Interest & Fiscal Charges	0	0	3,794,879	3,794,879
<b>Total Expenditures</b>	<b>65,947,735</b>	<b>49,373,201</b>	<b>13,869,373</b>	<b>129,190,309</b>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,255,747)	(47,302,438)	(1,064,052)	(54,622,237)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	40,766	0	40,766
Transfers In	0	0	218,705	218,705
Transfers Out	(218,705)	0	0	(218,705)
<b>Total Other Financing Sources (Uses)</b>	<u>(218,705)</u>	<u>40,766</u>	<u>218,705</u>	<u>40,766</u>
Net Change in Fund Balance	(6,474,452)	(47,261,672)	(845,347)	(54,581,471)
<b>Fund Balance at Beginning of Year</b>	12,325,365	82,327,881	10,480,949	105,134,195
Decrease in Inventory	(105,996)	0	(3,929)	(109,925)
<b>Fund Balance End of Year</b>	<u>\$ 5,744,917</u>	<u>\$ 35,066,209</u>	<u>\$ 9,631,673</u>	<u>\$ 50,442,799</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***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, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (54,581,471)

***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 50,217,177

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. (648,903)

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	(2,898,479)	
Change in Inventory	<u>(109,925)</u>	(3,008,404)

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 Bond Principal Payment	875,000	
Certificates of Participation Principal Payment	75,000	
Energy Conservation Note Principal Payment	30,365	
Capital Lease Principal Payment	<u>137,163</u>	1,117,528

In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, an interest expenditure is reported when due. 2,757

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.

Change in Compensated Absences	(86,829)	
Change in Early Retirement Incentive Payable	<u>482,873</u>	<u>396,044</u>

**Change in Net Assets of Governmental Activities** **\$ (6,505,272)**

See accompanying notes to the basic financial statements

***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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## **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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 26,049,628	\$ 26,411,051	\$ 26,465,572	\$ 54,521
Tuition	648,524	657,522	658,879	1,357
Investment Earnings	10,904	11,055	11,078	23
Extracurricular Activities	204,104	206,936	207,363	427
Class Material and Fees	9,766	9,902	9,922	20
Intergovernmental - State	30,425,528	30,847,663	30,911,343	63,680
Intergovernmental - Federal	153,344	155,471	155,792	321
All Other Revenues	452,076	458,348	459,295	947
Total Revenues	57,953,874	58,757,948	58,879,244	121,296
<b>Expenditures:</b>				
Current:				
Instruction	45,659,679	44,628,131	44,256,324	371,807
Support Services:				
Pupils	3,089,907	3,020,100	2,999,386	20,714
Instructional Staff	3,990,235	3,900,087	3,799,153	100,934
Board of Education	28,340	27,700	25,285	2,415
Administration	4,372,002	4,273,229	4,257,387	15,842
Fiscal Services	1,076,314	1,051,998	1,013,223	38,775
Business	563,420	550,691	496,647	54,044
Operation and Maintenance of Plant	4,785,640	4,677,522	4,628,390	49,132
Pupil Transportation	3,298,011	3,223,502	3,220,142	3,360
Central	588,357	575,065	521,343	53,722
Extracurricular Activities	696,741	681,000	611,809	69,191
Total Expenditures	68,148,646	66,609,025	65,829,089	779,936
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,194,772)	(7,851,077)	(6,949,845)	901,232

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(261,850)	(261,850)	(261,812)	38
Advances In	490,715	490,715	490,715	0
Advances Out	(560,850)	(560,850)	(560,851)	(1)
Refund of Prior Year's Expenditures	0	0	(179)	(179)
Total Other Financing Sources (Uses):	<u>(331,985)</u>	<u>(331,985)</u>	<u>(332,127)</u>	<u>(142)</u>
 Net Change in Fund Balance	 (10,526,757)	 (8,183,062)	 (7,281,972)	 901,090
 Fund Balance at Beginning of Year	 15,999,623	 15,999,623	 15,999,623	 0
Prior Year Encumbrances	1,053,456	1,053,456	1,053,456	0
Fund Balance at End of Year	<u>\$ 6,526,322</u>	<u>\$ 8,870,017</u>	<u>\$ 9,771,107</u>	<u>\$ 901,090</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Statement of Net Assets  
Fiduciary Funds  
June 30, 2012***

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	Private Purpose Trust	
	Special Trust Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 10,650	\$ 73,034
<b>Total Assets</b>	<u>10,650</u>	<u>73,034</u>
<b>Liabilities:</b>		
Due to Students	0	73,034
<b>Total Liabilities</b>	<u>0</u>	<u>73,034</u>
<b>Net Assets:</b>		
Unrestricted	10,650	0
<b>Total Net Assets</b>	<u>\$ 10,650</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012***

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	Private Purpose Trust <u>Special Trust Fund</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 2,754
Total Additions	<u>2,754</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	1,535
Total Deductions	<u>1,535</u>
 Change in Net Assets	 1,219
 Net Assets at Beginning of Year	 <u>9,431</u>
Net Assets End of Year	<u>\$ 10,650</u>

See accompanying notes to the basic financial statements

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **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 338 non-certified and approximately 462 certified teaching personnel and administrative employees providing education to 6,463 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**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **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**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **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, 2012 which are not intended to finance fiscal 2012 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.

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

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **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 2012.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2012***

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### **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, 2012

### 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)	(\$6,474,452)
Increase (Decrease):	
Accrued Revenues at June 30, 2012, received during FY 2013	(3,264,212)
Accrued Revenues at June 30, 2011, received during FY 2012	2,742,346
Accrued Expenditures at June 30, 2012, paid during FY 2013	8,339,665
Accrued Expenditures at June 30, 2011, paid during FY 2012	(8,142,040)
Encumbrances Outstanding	(488,796)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	5,517
Budget Basis	<u><u>(\$7,281,972)</u></u>

#### F. Cash and Cash Equivalents

During fiscal year 2012 cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

#### G. Investments

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**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **G. Investments** (Continued)

The District has invested funds in the STAR Ohio during 2012. 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, 2012. See Note 4, "Cash, Cash Equivalents and Investments."

#### **H. Inventory**

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental 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, 2012***

**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:

Description	Governmental Activities Estimated Lives (in years)
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:

Obligation	Fund
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
Early Retirement Incentive	General 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**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **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, 2012 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**

Cash with fiscal agent represents cash and cash equivalents restricted in use for the retirement of matured bonds and interest payable, the purchase of bricks for a memorial courtyard and for a construction retainage account.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **P. Fund Balance**

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

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

***Unassigned*** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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 2012.

#### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* - The fund deficits at June 30, 2012 of \$1,582 in the Race to the Top Fund, \$3,432 in the Technology II-D Fund, \$11,811 in the Immigrant Grant Fund, \$247,038 in the Title VI-B Fund, \$125,688 in the Title I Fund, \$358 in the Preschool Grant Fund and \$204 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 30,2012***

### **NOTE 3 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Supplies Inventory	\$290,757	\$0	\$14,083	\$304,840
Total Nonspendable	<u>290,757</u>	<u>0</u>	<u>14,083</u>	<u>304,840</u>
Restricted:				
Food Service Operations	0	0	160,072	160,072
Staff Development & Support	0	0	10,675	10,675
Auxiliary Services	0	0	57,545	57,545
Facilities Maintenance	0	0	1,749,140	1,749,140
Extracurricular Activities	0	0	107,453	107,453
Entry Year Programs	0	0	59	59
Ohio Reads Program	0	0	9,682	9,682
Safe and Drug Free Program	0	0	2,968	2,968
Technology Improvement	0	0	963	963
Other Purposes	0	0	20,758	20,758
Debt Service Payments	0	0	3,358,231	3,358,231
Capital Acquisition and Improvement	0	35,066,209	4,530,157	39,596,366
Total Restricted	<u>0</u>	<u>35,066,209</u>	<u>10,007,703</u>	<u>45,073,912</u>
Committed:				
Pollution Remediation	11,000	0	0	11,000
Total Committed	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned to Other Purposes	665,515	0	0	665,515
Unassigned	4,777,645	0	(390,113)	4,387,532
Total Fund Balances	<u>\$5,744,917</u>	<u>\$35,066,209</u>	<u>\$9,631,673</u>	<u>\$50,442,799</u>

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE 4 - 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 \$12,860,389 and the bank balance was \$13,418,905. Federal depository insurance covered \$3,098,715 of the bank balance and \$10,320,190 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$10,320,190
Total Balance	\$10,320,190

**B. Investments**

The District's investments at June 30, 2012 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$3,027,202	AAAm <sup>1</sup>	\$3,027,202	\$0
US Treasury Notes/Bills	594,040	N/A	399,368	194,672
US Treasury Money Market	1,157,115	N/A	1,157,115	0
FFCB	775,212	AAA <sup>1,2</sup>	775,212	0
FNMA	2,793,743	AAA <sup>1,2</sup>	1,631,333	1,162,410
FHLB	27,135,891	AAA <sup>1,2</sup>	26,154,644	981,247
FHLMC	11,742,322	AAA <sup>1,2</sup>	11,742,322	0
Total Investments	\$47,225,525		\$44,887,196	\$2,338,329

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012***

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

**B. Investments** (Continued)

<sup>1</sup> Standard & Poor's

<sup>2</sup> 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, 6.41% are STAR Ohio, 1.26% are United States Treasury Notes, 2.45% are Money Market Funds, 1.64% are FFCB, 5.92% are FNMA, 57.46% are FHLB, and 24.86% 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.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$15,887,591	\$44,198,323
Investments:		
STAR Ohio	(3,027,202)	3,027,202
Per GASB Statement No. 3	\$12,860,389	\$47,225,525

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 2012 amounted to \$50,728, which includes \$24,551 assigned from other District funds.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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 2012 receipts were based are:

	2011 Second Half Collections	2012 First Half Collections
Agricultural/Residential and Other Real Estate	\$734,637,140	\$696,246,390
Public Utility Personal	10,568,500	10,804,640
Total Assessed Value	<u>\$745,205,640</u>	<u>\$707,051,030</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, 2012***

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes 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	\$62,457
Food Service Fund	214,748
Race to the Top Fund	144,222
Chapter I Fund	230,144
Tech II-D Fund	6,637
Class Size Reduction Fund	73,171
	\$731,379

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2012:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$92,851	\$0
Other Governmental Funds	0	92,851
Totals	\$92,851	\$92,851

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

**NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for the fiscal year 2012:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$218,705
Other Governmental Funds	218,705	0
Total All Funds	\$218,705	\$218,705

In fiscal 2012 the General Fund transferred \$218,705 to the Classroom Facilities Maintenance Fund.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE 9 - CAPITAL ASSETS**

**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2012:

**Historical Cost:**

<u>Class</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
<b>Capital assets not being depreciated:</b>				
Land	\$970,003	\$0	\$0	\$970,003
Construction in Progress	74,031,720	51,061,862	(71,181,510)	53,912,072
	<u>75,001,723</u>	<u>51,061,862</u>	<u>(71,181,510)</u>	<u>54,882,075</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	2,951,810	0	(303,248)	2,648,562
Buildings and Improvements	22,777,033	71,181,510	(1,806,794)	92,151,749
Machinery and Equipment	3,514,270	0	(147,876)	3,366,394
Vehicles	3,749,472	104,501	0	3,853,973
Total Cost	<u>\$107,994,308</u>	<u>\$122,347,873</u>	<u>(\$73,439,428)</u>	<u>\$156,902,753</u>
<b>Accumulated Depreciation:</b>				
<u>Class</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Land Improvements	(\$1,077,229)	(\$91,243)	\$230,900	(\$937,572)
Buildings and Improvements	(10,926,438)	(447,549)	1,095,216	(10,278,771)
Machinery and Equipment	(2,859,186)	(108,093)	282,899	(2,684,380)
Vehicles	(2,028,584)	(302,301)	0	(2,330,885)
Total Depreciation	<u>(\$16,891,437)</u>	<u>(\$949,186) *</u>	<u>\$1,609,015</u>	<u>(\$16,231,608)</u>
<b>Net Value:</b>	<u>\$91,102,871</u>			<u>\$140,671,145</u>

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$564,187
Support Services:	
Administration	76,136
Fiscal Services	770
Business	1,081
Operations & Maintenance of Plant	52,941
Pupil Transportation	250,075
Extracurricular Activities	3,996
Total Depreciation Expense	<u>\$949,186</u>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 10- 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. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,268,403, \$1,336,359 and \$1,179,547 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](http://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. 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.

## ***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 10- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System** (Continued)

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, 2012, 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 2011, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,443,749, \$4,275,681, and \$4,130,735 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2012 were \$96,314 made by the District and \$68,796 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, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

#### **NOTE 11 - 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.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. School Employee Retirement System (Continued)**

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 can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 2012, 0.55 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 2012, 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, 2012, 2011, and 2010 were \$186,301, \$307,914, and \$187,329 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 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$74,906, \$85,998, and \$70,145 respectively; which were equal to the required contributions for each year.

##### **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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 2012, 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, 2012, 2011, and 2010 were \$341,827, \$328,899, and \$317,749 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, 2012**

#### **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, 2012 is as follows:

		Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>						
Energy Conservation Note:						
School Improvement - 4.58%	2005	\$121,460	\$0	(\$30,365)	\$91,095	\$30,365
General Obligation Bonds:						
School Improvement - 2.0-5.0%	2010	79,160,000	0	(875,000)	78,285,000	1,030,000
Certification of Participation:						
School Improvement - 6.75%	2010	1,640,000	0	(75,000)	1,565,000	80,000
Early Retirement Incentive Payable		1,448,619	0	(482,873)	965,746	482,873
Capital Leases Payable		229,100	0	(137,163)	91,937	35,623
Compensated Absences		1,561,306	525,523	(148,030)	1,938,799	508,409
Total Long Term Debt and Other Obligations		<u>\$84,160,485</u>	<u>\$525,523</u>	<u>(\$1,748,431)</u>	<u>\$82,937,577</u>	<u>\$2,167,270</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, 2012 follows:

Years	Energy Conservation Notes		General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
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	0	0	1,245,000	3,568,007	95,000	85,219
2017	0	0	1,715,000	3,523,607	105,000	78,469
2018-2022	0	0	10,390,000	16,491,772	625,000	274,558
2023-2027	0	0	14,520,000	13,572,767	485,000	50,793
2028-2032	0	0	20,060,000	9,426,522	0	0
2033-2037	0	0	27,190,000	3,567,250	0	0
Totals	<u>\$91,095</u>	<u>\$8,344</u>	<u>\$78,285,000</u>	<u>\$61,028,620</u>	<u>\$1,565,000</u>	<u>\$780,809</u>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

#### **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 \$142,652.

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, 2012:

Year Ending June 30,	Capital Lease
2013	\$39,142
2014	39,142
2015	19,571
Minimum Lease Payments	97,855
Less: Amount representing interest at the District's incremental borrowing rate of interest	(5,918)
Present Value of minimum lease payments	\$91,937

#### **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, 2012, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Reserve Balance as of June 30, 2011	\$900,371	(\$6,195,014)	(\$5,294,643)
Current Year Set-Aside Requirement	0	1,089,229	1,089,229
Repeal of ORC Section 3315.17	(900,371)	0	(900,371)
Current Year Offsets	0	(4,372,219)	(4,372,219)
Total	\$0	(\$9,478,004)	(\$9,478,004)
Balance Carried Forward to FY 2013	\$0	(\$9,478,004)	(\$9,478,004)

Beginning in FY 2012, H.B. 30 of the Ohio 129th General Assembly has repealed ORC Section 3315.17 which required school districts to annually set aside funds for acquisition of textbooks and instructional materials. Additionally, Section 267.60.10 of Am. Sub. H. B. 153 provides for school districts' boards of education to transfer any unencumbered money remaining as of July 1, 2011, in the textbook and instructional materials fund to the districts' general revenue fund to be used for any purpose authorized for the general revenue fund. During 2012 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**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **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 \$171,329,728 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**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **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 \$240,810 for services provided during the year. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood Street, 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 2012, the District paid \$336,706 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 2012, the School District paid \$3,100 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**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **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 2012, the District contributed \$9,052,566, which represented 6.74 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**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 18 - CONTINGENCIES**

#### **A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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, 2012.

#### **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, 2012.

### **NOTE 19 – CONTRACTUAL COMMITMENTS**

As of June 30, 2012 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	\$19,709,243	December 2012

### **NOTE 20 – TERMINATION BENEFITS**

During fiscal year 2011 the District entered into an Employee Service Plan (ESP) which offered full and part-time teachers and classified staff who had ten or more years of service with the District or were eligible for full or reduced state retirement benefits as of June 30, 2011 an early retirement incentive. Eligible teachers would receive \$45,000, plus an amount equivalent to the employees applicable contractual sick leave pay. Eligible classified employees would receive 100% of his/her fiscal year 2011 base salary not to exceed \$20,000 plus an amount equivalent to the employees applicable contractual sick leave pay. As of June 30, 2012, the liability for the ESP was \$965,746 payable to the plan sponsor in two annual installments though fiscal year 2014.

**Huber Heights City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**

<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>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	123,710	123,710
Cash Assistance				
National School Breakfast Program	05-PU	10.553	202,655	202,655
National School Lunch Program	LL-P4	10.555	919,979	919,979
Special Milk	02-PU	10.556	3,887	3,887
Summer Food Service Program	24-PU	10.559	<u>5,423</u>	<u>5,423</u>
Total U.S. Department of Agriculture			<u>1,255,654</u>	<u>1,255,654</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	1,164,258	1,185,281
Title I Grant - ARRA	C1-S1	84.389	<u>41,645</u>	<u>42,603</u>
Total Title I Cluster			<u>1,205,903</u>	<u>1,227,884</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	1,240,029	1,240,106
IDEA B - ARRA	6B-SF	84.391	-	2,818
IDEA Preschool - ARRA	6B-SF	84.392	9,694	-
IDEA Preschool	6B-SF	84.173	<u>49,202</u>	<u>43,181</u>
Total Special Education Cluster			<u>1,298,925</u>	<u>1,286,105</u>
Race to the Top- ARRA		84.395A	146,213	159,365
Education Jobs		84.410	308,432	308,618
Title II-D - Technology	TJ-S1	84.318	-	3,100
Improving Teacher Quality	CR-S1	84.367	111,512	126,681
Title III - Immigrant	T3-S2	84.365	<u>42,924</u>	<u>42,924</u>
Total Passed Through Ohio Department of Education			<u>3,113,910</u>	<u>3,154,677</u>
Total U.S. Department of Education			<u>3,113,910</u>	<u>3,154,677</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>4,369,564</u>	\$ <u>4,410,331</u>

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

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### **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, 2012, 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 School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2012. 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**

Management of the District is responsible for establishing and maintaining effective 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 first paragraph of this section 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 previously.

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

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

## 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 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*.

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  
December 7, 2012

## **Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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 could have a direct and material effect each of the District's major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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  
December 7, 2012

**Huber Heights City School District  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2012**

**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? No

Identification of major programs:

*Nutrition Cluster*

- CFDA 10.553 – School Breakfast Program
- CFDA 10.555 – National School Lunch Program
- CFDA 10.556 – Special Milk Program for Children
- CFDA 10.559 – Summer Food Service Program for Children

Race to the Top

- CFDA 84.395A – Race to the Top

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

**Section III – Federal Awards Findings and Questioned Costs**

None

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

**Finding 2011-001** – Internal Controls over Athletic Receipts. Corrected

**Finding 2011-002** – Noncompliance with cash management for State Fiscal Stabilization - ARRA CFDA 84.394. Corrected.



# Dave Yost • 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 24, 2013