



Dave Yost • Auditor of State



**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huber Heights City School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Huber Heights City School District, Montgomery County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 4, 2016

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# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***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, 2015. 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 fiscal year 2015 are as follows:

- ❑ Net position increased \$11,661,997. This represented a 41% change from the amount reported in the prior fiscal year.
- ❑ General revenues accounted for \$67,312,972 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,875,821 or 12% of total revenues of \$76,188,793.
- ❑ The District had \$64,526,796 in expenses related to governmental activities; \$8,875,821 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$67,312,972 were also available to provide for these programs.
- ❑ The District's General Fund had \$63,949,276 in revenues and \$54,426,129 in expenditures. The General Fund's fund balance increased \$9,633,390 to \$17,481,954.

## **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, 2015***

***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 position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. 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 position and how it has changed. Net position is one way to measure the District's financial health.

Over time, increases or decreases in the District's net position is 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 Position 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, 2015**

**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 Position and Changes in Fiduciary Net Position. 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 position for fiscal year 2015 compared to fiscal year 2014.

	Governmental Activities		Increase (Decrease)
	2015	Restated 2014	
Current and other Assets	\$76,282,159	\$68,211,952	\$8,070,207
Capital Assets, Net	157,835,604	158,067,044	(231,440)
Total Assets	<u>234,117,763</u>	<u>226,278,996</u>	<u>7,838,767</u>
Deferred Outflows of Resources	<u>4,882,414</u>	<u>4,478,503</u>	<u>403,911</u>
Net Pension Liability	72,906,625	86,651,735	(13,745,110)
Other Long-term Liabilities	78,359,629	79,721,843	(1,362,214)
Other Liabilities	7,699,949	9,015,598	(1,315,649)
Total Liabilities	<u>158,966,203</u>	<u>175,389,176</u>	<u>(16,422,973)</u>
Deferred Inflows of Resources	<u>39,938,010</u>	<u>26,934,356</u>	<u>13,003,654</u>
Net Position			
Net Investment in Capital Assets	96,415,602	95,872,373	543,229
Restricted	8,540,666	7,750,205	790,461
Unrestricted	<u>(64,860,304)</u>	<u>(75,188,611)</u>	<u>10,328,307</u>
Total Net Position	<u>\$40,095,964</u>	<u>\$28,433,967</u>	<u>\$11,661,997</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$110,607,199 to a restated balance of \$28,433,967.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Unaudited**

**Changes in Net Position** – The following table shows the changes in net position for the fiscal year 2015 compared to fiscal year 2014:

	Governmental Activities		Increase (Decrease)
	2015	2014	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$2,417,367	\$2,754,269	(\$336,902)
Operating Grants and Contributions	6,434,134	5,696,844	737,290
Capital Grants and Contributions	24,320	255,718	(231,398)
Total Program Revenues	<u>8,875,821</u>	<u>8,706,831</u>	<u>168,990</u>
General Revenues:			
Property Taxes	31,441,011	31,532,435	(91,424)
Intergovernmental, Unrestricted	35,427,067	33,037,512	2,389,555
Other	444,894	524,196	(79,302)
Total General Revenues	<u>67,312,972</u>	<u>65,094,143</u>	<u>2,218,829</u>
Total Revenues	<u>76,188,793</u>	<u>73,800,974</u>	<u>2,387,819</u>
<b>Program Expenses</b>			
Instruction	42,401,840	42,838,352	(436,512)
Support Services:			
Pupils	2,404,768	2,170,440	234,328
Instructional Staff	642,473	352,237	290,236
Board of Education	13,675	24,331	(10,656)
Administration	3,337,574	3,471,293	(133,719)
Fiscal Services	1,091,840	1,065,108	26,732
Business	226,833	368,708	(141,875)
Operation and Maintenance of Plant	4,227,251	4,206,335	20,916
Pupil Transportation	2,708,714	2,670,840	37,874
Central	275,878	249,202	26,676
Operation of Non-Instructional:			
Food Service Operations	2,098,058	2,093,670	4,388
Community Services	439,374	386,694	52,680
Extracurricular Activities	966,849	876,871	89,978
Debt Service:			
Interest and Fiscal Charges	3,691,669	3,725,822	(34,153)
Total Expenses	<u>64,526,796</u>	<u>64,499,903</u>	<u>26,893</u>
Total Change in Net Position	11,661,997	9,301,071	2,360,926
Beginning Net Position - Restated	<u>28,433,967</u>	N/A	N/A
Ending Net Position - Restated	<u>\$40,095,964</u>	<u>\$28,433,967</u>	<u>\$11,661,997</u>

# HUBER HEIGHTS CITY SCHOOL DISTRICT

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$4,478,503 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$3,260,483. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities
Total 2015 program expenses under GASB 68	\$64,526,796
Pension expense under GASB 68	(3,260,483)
2015 contractually required contribution	4,193,923
Adjusted 2015 program expenses	65,460,236
Total 2014 program expenses under GASB 27	64,499,903
Change in program expenses not related to pension	\$960,333

### Governmental Activities

Net position of the District's governmental activities increased \$11,661,997. An increase in operating grants and contributions was due to increases in IDEA Part B and Title I federal grants, while the increase in unrestricted intergovernmental revenues can be attributed to an increase in state foundation receipts. Changes in student enrollment resulted in decreases in tuition received from other school districts, resulting in a decrease in charges for services.

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.

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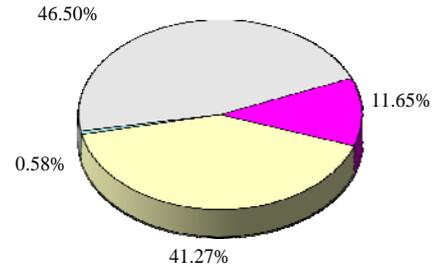
## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

**Unaudited**

Property taxes made up 41% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2015. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2015	Percent of Total
Intergovernmental, Unrestricted	\$35,427,067	46.50%
Program Revenues	8,875,821	11.65%
General Tax Revenues	31,441,011	41.27%
General Other	444,894	0.58%
Total Revenue	<u>\$76,188,793</u>	<u>100.00%</u>



### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$41,359,500, which is above last year's total of \$31,478,661. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General	\$17,481,954	\$7,848,564	\$9,633,390
Debt Service	3,670,575	3,608,370	62,205
Ohio School Facilities	13,822,658	13,648,359	174,299
Other Governmental	6,384,313	6,373,368	10,945
Total	<u>\$41,359,500</u>	<u>\$31,478,661</u>	<u>\$9,880,839</u>

The General Fund reported an increase in fund balance that was consistent with the previous year, as revenues and expenditures were relatively stable. The Ohio School Facilities Fund reported a substantial decrease in expenditures and a slight increase in fund balance. The District's Other Governmental Funds fund balance was stable.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

**Unaudited**

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

	2015 Revenues	2014 Revenues	Increase (Decrease)
Taxes	\$26,443,324	\$26,472,563	(\$29,239)
Tuition	562,904	930,882	(367,978)
Investment Earnings	23,442	24,798	(1,356)
Extracurricular Activities	589,158	559,793	29,365
Class Materials and Fees	139,817	150,937	(11,120)
Intermediate Sources	306,968	129,242	177,726
Intergovernmental - State	35,289,385	32,491,196	2,798,189
Intergovernmental - Federal	341,946	771,785	(429,839)
All Other Revenue	252,332	448,681	(196,349)
<b>Total</b>	<b>\$63,949,276</b>	<b>\$61,979,877</b>	<b>\$1,969,399</b>

General Fund revenues in fiscal year 2015 increased \$1,969,399, or 3% compared to revenues in fiscal year 2014. An increase in unrestricted intergovernmental revenues can be attributed to an increase in state foundation receipts. Changes in student enrollment resulted in decreases in tuition received from other school districts. In fiscal year 2014, the General Fund received a catch-up payment for previous Medicare claims, which resulted in a subsequent decrease in intergovernmental federal revenues in fiscal year 2015.

	2015 Expenditures	2014 Expenditures	Increase (Decrease)
Instruction	\$39,721,803	\$40,265,876	(\$544,073)
Supporting Services:			
Pupils	2,332,869	2,291,703	41,166
Instructional Staff	480,749	283,804	196,945
Board of Education	13,675	24,331	(10,656)
Administration	3,283,200	3,618,009	(334,809)
Fiscal Services	1,019,777	969,755	50,022
Business	233,964	363,297	(129,333)
Operation and Maintenance of Plant	3,980,293	4,242,728	(262,435)
Pupil Transportation	2,498,185	2,675,771	(177,586)
Central	280,511	250,228	30,283
Community Services	275	0	275
Extracurricular Activities	580,828	603,251	(22,423)
<b>Total</b>	<b>\$54,426,129</b>	<b>\$55,588,753</b>	<b>(\$1,162,624)</b>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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Expenditures remained stable, decreasing \$1,162,624 or approximately 2% compared to the prior year.

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 2015 the District amended its General Fund budget several times, none significant.

For the General Fund, final budgeted revenues were 7% greater than original estimates, and actual budget basis revenues were 3% more than final budgeted amounts. Actual budget basis expenditures were 3% 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 2015 the District had \$157,835,604 net of accumulated depreciation invested in land, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2015 and 2014 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2015</u>	<u>2014</u>	
Land	\$965,003	\$965,003	\$0
Land Improvements	2,362,675	2,362,675	0
Buildings and Improvements	159,773,830	159,185,145	588,685
Machinery and Equipment	2,729,680	2,353,155	376,525
Vehicles	3,609,623	3,573,224	36,399
Less: Accumulated Depreciation	<u>(11,605,207)</u>	<u>(10,372,158)</u>	<u>(1,233,049)</u>
Totals	<u>\$157,835,604</u>	<u>\$158,067,044</u>	<u>(\$231,440)</u>

The District's school building construction project continued in fiscal year 2015, resulting in increases to buildings and improvements. Additions to machinery and equipment can be attributed to the purchase of busses and portable bleachers.

Additional information on the District's capital assets can be found in Note 10.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

**Unaudited**

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### **Debt**

At June 30, 2015 the District had \$75 million in bonds outstanding for the construction of new school facilities, \$1,245,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2015 and 2014:

	<u>2015</u>	<u>Restated 2014</u>
Governmental Activities:		
Energy Conservation Notes:		
School Improvement	\$0	\$30,365
General Obligation Bonds:		
School Improvement	75,120,000	76,200,000
Certificates of Participation:		
School Improvement	1,310,000	1,400,000
Net Pension Liability	72,906,625	86,651,735
Capital Leases Payable	47,129	89,076
Compensated Absences	1,882,500	2,002,402
Totals	<u>\$151,266,254</u>	<u>\$166,373,578</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, 2015, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

### **ECONOMIC FACTORS**

The Governor's budget increased funding for the upcoming school year, but the funding levels were capped below the State formula. Because of the uncertainty in the financial resources of the District, we will continue to monitor expenditures.

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. Gina Helmick, 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 Position June 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 18,040,149
Investments	27,100,707
Receivables:	
Taxes	29,845,235
Accounts	22,752
Intergovernmental	363,070
Inventory of Supplies at Cost	321,263
Restricted Assets:	
Cash with Fiscal Agent	588,983
Non-Depreciable Capital Assets	965,003
Depreciable Capital Assets, Net	156,870,601
<b>Total Assets</b>	<b>234,117,763</b>
<b>Deferred Outflows of Resources:</b>	
Pension:	
STRS	3,885,159
SERS	997,255
<b>Total Deferred Outflows of Resources</b>	<b>4,882,414</b>
<b>Liabilities:</b>	
Accounts Payable	179,551
Accrued Wages and Benefits	5,053,088
Intergovernmental Payable	1,618,914
Retainage Payable	542,137
Accrued Interest Payable	306,259
Long Term Liabilities:	
Due Within One Year	1,539,648
Due in More Than One Year:	
Net Pension Liability	72,906,625
Other Amounts Due in More Than One Year	76,819,981
<b>Total Liabilities</b>	<b>158,966,203</b>
<b>Deferred Inflows of Resources:</b>	
Property Tax Levy for Next Fiscal Year	26,722,429
Pension:	
STRS	11,267,881
SERS	1,947,700
<b>Total Deferred Inflows of Resources</b>	<b>39,938,010</b>
<b>Net Position:</b>	
Net Investment in Capital Assets	96,415,602
Restricted For:	
Capital Projects	1,061,605
Debt Service	3,473,008
Other Purposes	4,006,053
Unrestricted (Deficit)	(64,860,304)
<b>Total Net Position</b>	<b>\$ 40,095,964</b>

See accompanying notes to the basic financial statements

# HUBER HEIGHTS CITY SCHOOL DISTRICT

## Statement of Activities For the Fiscal Year Ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 42,401,840	\$ 702,721	\$ 3,915,605	\$ 24,320	\$ (37,759,194)
Support Services:					
Pupils	2,404,768	0	137,730	0	(2,267,038)
Instructional Staff	642,473	0	118,026	0	(524,447)
Board of Education	13,675	0	0	0	(13,675)
Administration	3,337,574	0	49,620	0	(3,287,954)
Fiscal Services	1,091,840	0	0	0	(1,091,840)
Business	226,833	0	0	0	(226,833)
Operation and Maintenance of Plant	4,227,251	0	109,352	0	(4,117,899)
Pupil Transportation	2,708,714	0	0	0	(2,708,714)
Central	275,878	0	0	0	(275,878)
Operation of Non-Instructional:					
Food Service Operations	2,098,058	798,794	1,648,207	0	348,943
Community Services	439,374	0	455,594	0	16,220
Extracurricular Activities	966,849	915,852	0	0	(50,997)
Interest and Fiscal Charges	3,691,669	0	0	0	(3,691,669)
<b>Total Governmental Activities</b>	<b>\$ 64,526,796</b>	<b>\$ 2,417,367</b>	<b>\$ 6,434,134</b>	<b>\$ 24,320</b>	<b>\$ (55,650,975)</b>

### General Revenues

Property Taxes Levied for:	
General Purposes	26,412,992
Debt Service	4,139,676
Capital Outlay	888,343
Intergovernmental, Unrestricted	35,427,067
Investment Earnings	77,635
Miscellaneous	367,259
<b>Total General Revenues</b>	<b>67,312,972</b>
 Change in Net Position	 11,661,997
 Net Position Beginning of Year - Restated	 28,433,967
Net Position End of Year	\$ 40,095,964

See accompanying notes to the basic financial statements

## HUBER HEIGHTS CITY SCHOOL DISTRICT

### *Balance Sheet Governmental Funds June 30, 2015*

	General	Debt Service	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 7,900,406	\$ 3,337,470	\$ 1,164,166	\$ 5,638,107	\$ 18,040,149
Investments	12,502,798	0	13,368,564	1,229,345	27,100,707
Receivables:					
Taxes	25,090,355	3,914,795	0	840,085	29,845,235
Accounts	22,752	0	0	0	22,752
Intergovernmental	222,505	0	0	140,565	363,070
Interfund Loans Receivable	356,591	0	0	0	356,591
Inventory of Supplies at Cost	300,744	0	0	20,519	321,263
Restricted Assets:					
Cash with Fiscal Agent	0	21,446	542,137	25,400	588,983
<b>Total Assets</b>	<u>\$ 46,396,151</u>	<u>\$ 7,273,711</u>	<u>\$ 15,074,867</u>	<u>\$ 7,894,021</u>	<u>\$ 76,638,750</u>
<b>Liabilities:</b>					
Accounts Payable	\$ 76,822	\$ 0	\$ 1,218	\$ 101,511	\$ 179,551
Accrued Wages and Benefits	4,848,282	0	0	204,806	5,053,088
Intergovernmental Payable	836,465	0	708,854	73,595	1,618,914
Interfund Loans Payable	0	0	0	356,591	356,591
Retainage Payable	0	0	542,137	0	542,137
Compensated Absences Payable	36,378	0	0	0	36,378
<b>Total Liabilities</b>	<u>5,797,947</u>	<u>0</u>	<u>1,252,209</u>	<u>736,503</u>	<u>7,786,659</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable Amounts	647,096	101,323	0	21,743	770,162
Property Tax Levy for Next Fiscal Year	22,469,154	3,501,813	0	751,462	26,722,429
<b>Total Deferred Inflows of Resources</b>	<u>23,116,250</u>	<u>3,603,136</u>	<u>0</u>	<u>773,205</u>	<u>27,492,591</u>
<b>Fund Balance:</b>					
Nonspendable	300,744	0	0	20,519	321,263
Restricted	0	3,670,575	13,822,658	6,509,722	24,002,955
Committed	11,000	0	0	0	11,000
Assigned	2,029,229	0	0	0	2,029,229
Unassigned	15,140,981	0	0	(145,928)	14,995,053
<b>Total Fund Balance</b>	<u>17,481,954</u>	<u>3,670,575</u>	<u>13,822,658</u>	<u>6,384,313</u>	<u>41,359,500</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 46,396,151</u>	<u>\$ 7,273,711</u>	<u>\$ 15,074,867</u>	<u>\$ 7,894,021</u>	<u>\$ 76,638,750</u>

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 Position of Governmental Activities June 30, 2015***

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<b>Total Governmental Fund Balances</b>	\$	41,359,500
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		157,835,604
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		770,162
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	4,882,414	
Deferred Inflows - Pension	(13,215,581)	
Net Pension Liability	<u>(72,906,625)</u>	(81,239,792)
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	(75,120,000)	
Certificates of Participation	(1,310,000)	
Capital Leases Payable	(47,129)	
Compensated Absences Payable	(1,846,122)	
Interest Payable	<u>(306,259)</u>	<u>(78,629,510)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>40,095,964</u></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, 2015

	General	Debt Service	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local Sources:					
Taxes	\$ 26,443,324	\$ 4,148,086	\$ 0	\$ 890,147	\$ 31,481,557
Tuition	562,904	0	0	0	562,904
Investment Earnings	23,442	0	50,633	3,560	77,635
Food Services	0	0	0	798,794	798,794
Extracurricular Activities	589,158	0	0	326,694	915,852
Class Materials and Fees	139,817	0	0	0	139,817
Intermediate Sources	306,968	0	0	0	306,968
Intergovernmental - State	35,289,385	656,498	24,320	733,843	36,704,046
Intergovernmental - Federal	341,946	0	0	4,532,561	4,874,507
All Other Revenue	252,332	0	113,933	994	367,259
<b>Total Revenue</b>	<b>63,949,276</b>	<b>4,804,584</b>	<b>188,886</b>	<b>7,286,593</b>	<b>76,229,339</b>
<b>Expenditures:</b>					
Current:					
Instruction	39,721,803	0	0	2,641,719	42,363,522
Supporting Services:					
Pupils	2,332,869	0	0	142,220	2,475,089
Instructional Staff	480,749	0	0	178,301	659,050
Board of Education	13,675	0	0	0	13,675
Administration	3,283,200	0	0	55,351	3,338,551
Fiscal Services	1,019,777	62,198	14,587	16,046	1,112,608
Business	233,964	0	0	0	233,964
Operation and Maintenance of Plant	3,980,293	0	0	358,416	4,338,709
Pupil Transportation	2,498,185	0	0	0	2,498,185
Central	280,511	0	0	0	280,511
Operation of Non-Instructional:					
Food Service Operations	0	0	0	2,069,262	2,069,262
Community Services	275	0	0	439,629	439,904
Extracurricular Activities	580,828	0	0	381,762	962,590
Capital Outlay	0	0	0	744,514	744,514
Debt Service:					
Principal Retirement	0	1,080,000	0	162,312	1,242,312
Interest & Fiscal Charges	0	3,600,181	0	94,940	3,695,121
<b>Total Expenditures</b>	<b>54,426,129</b>	<b>4,742,379</b>	<b>14,587</b>	<b>7,284,472</b>	<b>66,467,567</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,523,147	62,205	174,299	2,121	9,761,772

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

	General	Debt Service	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	0	0	2,982	2,982
Transfers Out	(2,982)	0	0	0	(2,982)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,982)</u>	<u>0</u>	<u>0</u>	<u>2,982</u>	<u>0</u>
Net Change in Fund Balance	9,520,165	62,205	174,299	5,103	9,761,772
<b>Fund Balance at Beginning of Year</b>	7,848,564	3,608,370	13,648,359	6,373,368	31,478,661
Increase in Inventory	113,225	0	0	5,842	119,067
<b>Fund Balance End of Year</b>	<u>\$ 17,481,954</u>	<u>\$ 3,670,575</u>	<u>\$ 13,822,658</u>	<u>\$ 6,384,313</u>	<u>\$ 41,359,500</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Fiscal Year Ended June 30, 2015***

**Net Change in Fund Balances - Total Governmental Funds** \$ 9,761,772

***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 depreciation exceeded capital outlay in the current period. (229,920)

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. (1,520)

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

Change in Deferred Inflows (40,546)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 4,193,923

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (3,260,483)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. 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 position.

General Obligation Bond Principal Payment	1,080,000	
Certificates of Participation Principal Payment	90,000	
Energy Conservation Notes Principal Payment	30,365	
Capital Lease Principal Payment	41,947	1,242,312

In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, an interest expenditure is reported when due. 3,452

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	(126,060)	
Change in Inventory	119,067	(6,993)

**Change in Net Position of Governmental Activities** **\$ 11,661,997**

See accompanying notes to the basic financial statements

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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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 23,565,882	\$ 25,278,437	\$ 26,135,577	\$ 857,140
Tuition	507,062	543,911	562,354	18,443
Investment Earnings	408,862	438,574	453,445	14,871
Extracurricular Activities	388,939	417,203	431,350	14,147
Intermediate Sources	276,786	296,901	306,968	10,067
Intergovernmental - State	32,006,659	34,332,613	35,496,762	1,164,149
Intergovernmental - Federal	300,105	321,914	332,829	10,915
All Other Revenues	209,469	224,691	232,310	7,619
Total Revenues	57,663,764	61,854,244	63,951,595	2,097,351
<b>Expenditures:</b>				
Current:				
Instruction	41,593,469	41,384,369	40,028,156	1,356,213
Support Services:				
Pupils	2,541,458	2,528,682	2,445,814	82,868
Instructional Staff	542,476	539,749	522,061	17,688
Board of Education	14,353	14,281	13,813	468
Administration	3,701,402	3,682,794	3,562,105	120,689
Fiscal Services	1,250,187	1,243,902	1,203,138	40,764
Business	266,704	265,363	256,667	8,696
Operation and Maintenance of Plant	4,999,363	4,974,230	4,811,219	163,011
Pupil Transportation	3,240,420	3,224,129	3,118,471	105,658
Central	283,554	282,129	272,883	9,246
Extracurricular Activities	635,817	632,621	611,889	20,732
Total Expenditures	59,069,203	58,772,249	56,846,216	1,926,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,405,439)	3,081,995	7,105,379	4,023,384

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

	<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	(5,162)	(5,162)	(5,162)	0
Advances In	605,791	605,791	605,791	0
Advances Out	(931,592)	(931,592)	(931,592)	0
Refund of Prior Year's Expenditures	5,115	5,115	5,115	0
Total Other Financing Sources (Uses):	<u>(325,848)</u>	<u>(325,848)</u>	<u>(325,848)</u>	<u>0</u>
 Net Change in Fund Balance	 (1,731,287)	 2,756,147	 6,779,531	 4,023,384
 Fund Balance at Beginning of Year	 10,265,561	 10,265,561	 10,265,561	 0
Prior Year Encumbrances	1,137,207	1,137,207	1,137,207	0
Fund Balance at End of Year	<u>\$ 9,671,481</u>	<u>\$ 14,158,915</u>	<u>\$ 18,182,299</u>	<u>\$ 4,023,384</u>

See accompanying notes to the basic financial statements

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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***Statement of Net Position  
Fiduciary Funds  
June 30, 2015***

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	Private Purpose	
	Trust	
	Special Trust	
	Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 11,567	\$ 66,627
<b>Total Assets</b>	<u>11,567</u>	<u>66,627</u>
<b>Liabilities:</b>		
Due to Others	0	10,893
Due to Students	0	55,734
<b>Total Liabilities</b>	<u>0</u>	<u>66,627</u>
<b>Net Position:</b>		
Unrestricted	11,567	0
<b>Total Net Position</b>	<u>\$ 11,567</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 Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2015***

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	Private Purpose Trust
	Special Trust Fund
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 2,848
Total Additions	<u>2,848</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>1,000</u>
Total Deductions	<u>1,000</u>
 Change in Net Position	 1,848
 Net Position at Beginning of Year	 <u>9,719</u>
Net Position End of Year	<u>\$ 11,567</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, 2015***

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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 239 non-certified and approximately 361 certified teaching personnel and administrative employees providing education to 5,958 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 Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council, the Miami Valley Career Technology 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, deferred outflows/inflows of resources, 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, 2015***

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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.

**Debt Service Fund** - This fund accounts for resources that are used for payment of principal, interest, and fiscal charges on general obligation debt.

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

#### **C. Basis of Presentation - Financial Statements**

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

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, 2015***

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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, current liabilities, deferred outflows/inflows of resources, 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, 2015 which are not intended to finance fiscal 2015 operations have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

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

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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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. The Montgomery County Auditor has waived the tax budget requirement.

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

##### **1. Tax Budget**

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

##### **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 2015.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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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**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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### **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	General Fund
GAAP Basis (as reported)	\$9,520,165
Increase (Decrease):	
Accrued Revenues at June 30, 2015, received during FY 2016	(2,584,358)
Accrued Revenues at June 30, 2014, received during FY 2015	2,628,659
Accrued Expenditures at June 30, 2015, paid during FY 2016	5,797,947
Accrued Expenditures at June 30, 2014, paid during FY 2015	(6,735,365)
Encumbrances Outstanding	(1,890,129)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	42,612
Budget Basis	<u>\$6,779,531</u>

#### **F. Cash and Cash Equivalents**

During fiscal year 2015 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 5, "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, 2015***

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

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

The District invested funds in the STAR Ohio during fiscal year 2015. 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, 2015. See Note 5, "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 position 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**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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

**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, 2015***

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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 position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

#### **L. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015 there was no net position restricted by enabling legislation.

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

#### **M. Pensions**

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

#### **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, 2015*

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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, 2015***

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

##### **Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and pension. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are explained in Note 11.

##### **R. Estimates**

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

##### **S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. In fiscal 2015 the District reported no extraordinary or special items.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 and 71 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	<u>Governmental Activities</u>
Net position June 30, 2014	\$110,607,199
Adjustments:	
Net Pension Liability	(86,651,735)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>4,478,503</u>
Restated Net Position June 30, 2014	<u><u>\$28,433,967</u></u>

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

#### **NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* - The fund deficits at June 30, 2015 of \$6,195 in the Title VI-B Fund, \$94,665 in the Title I Fund, \$201 in the Preschool Grant Fund, and \$44,867 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.

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

#### **NOTE 4 – 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</u>	<u>Debt Service</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Supplies Inventory	\$300,744	\$0	\$0	\$20,519	\$321,263
Total Nonspendable	<u>300,744</u>	<u>0</u>	<u>0</u>	<u>20,519</u>	<u>321,263</u>
Restricted:					
Food Service Operations	0	0	0	1,196,093	1,196,093
Staff Development & Support	0	0	0	5,720	5,720
Auxiliary Services	0	0	0	106,311	106,311
Facilities Maintenance	0	0	0	2,803,828	2,803,828
Extracurricular Activities	0	0	0	64,683	64,683
Entry Year Programs	0	0	0	59	59
Ohio Reads Program	0	0	0	9,682	9,682
Safe and Drug Free Program	0	0	0	2,015	2,015
Race to the Top Program	0	0	0	1,951	1,951
Technology Improvements	0	0	0	963	963
Other Purposes	0	0	0	29,469	29,469
Debt Service Payments	0	3,670,575	0	0	3,670,575
Capital Acquisition and Improvement	0	0	13,822,658	2,288,948	16,111,606
Total Restricted	<u>0</u>	<u>3,670,575</u>	<u>13,822,658</u>	<u>6,509,722</u>	<u>24,002,955</u>
Committed:					
Pollution Remediation	11,000	0	0	0	11,000
Total Committed	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned:					
Public School Support	177,056	0	0	0	177,056
Encumbrances	1,852,173	0	0	0	1,852,173
Total Assigned	<u>2,029,229</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,029,229</u>
Unassigned	15,140,981	0	0	(145,928)	14,995,053
Total Fund Balances	<u>\$17,481,954</u>	<u>\$3,670,575</u>	<u>\$13,822,658</u>	<u>\$6,384,313</u>	<u>\$41,359,500</u>

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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### **NOTE 5 – 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, 2015***

#### **NOTE 5 - 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 \$18,579,198 and the bank balance was \$19,070,637. Federal depository insurance covered \$1,000,000 of the bank balance and \$18,070,637 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

##### **B. Investments**

The District's investments at June 30, 2015 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$128,128	AAAm <sup>1</sup>	\$128,128	\$0	\$0
Marketable CD's	979,390	AAA <sup>3</sup>	0	979,390	0
US Treasury Notes/Bills	185,087	AA+ <sup>1</sup> /Aaa <sup>2</sup>	185,087	0	0
US Treasury Money Market	317,215	AA+ <sup>1</sup> /Aaa <sup>2</sup>	317,215	0	0
Commercial Paper	6,183,735	A-1+ <sup>1</sup> /P-1 <sup>2</sup>	6,183,735	0	0
FFCB	3,137,592	AA+ <sup>1</sup> /Aaa <sup>2</sup>	0	3,137,592	0
FNMA	3,655,998	AA+ <sup>1</sup> /Aaa <sup>2</sup>	866,202	1,494,541	1,295,255
FHLB	5,717,730	AA+ <sup>1</sup> /Aaa <sup>2</sup>	3,267,855	2,449,875	0
FHLMC	6,923,960	AA+ <sup>1</sup> /Aaa <sup>2</sup>	205,279	6,718,681	0
Total Investments	<u>\$27,228,835</u>		<u>\$11,153,501</u>	<u>\$14,780,079</u>	<u>\$1,295,255</u>

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

#### **B. Investments** (Continued)

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

<sup>2</sup> Moody's Investor Service

<sup>3</sup> All are fully FDIC insured and therefore have an implied AAA credit rating

*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, 23% is Commercial Paper, 12% are FFCB, 13% are FNMA, 21% are FHLB, 25% are FHLMC, and 6% are in other investments.

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

#### **C. Reconciliation of Cash, Cash Equivalents and Investments**

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$18,707,326	\$27,100,707
Investments:		
STAR Ohio	(128,128)	128,128
Per GASB Statement No. 3	<u>\$18,579,198</u>	<u>\$27,228,835</u>

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$23,442, which includes \$7,861 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, 2015***

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#### **NOTE 6 - 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 year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 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 2015 receipts were based is:

	2014 Second Half Collections	2015 First Half Collections
Agricultural/Residential and Other Real Estate	\$690,287,910	\$652,501,790
Public Utility Personal	12,694,120	13,112,450
Total Assessed Value	<u>\$702,982,030</u>	<u>\$665,614,240</u>
Tax rate per \$1,000 of assessed valuation	\$66.74	\$66.74

**HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of taxes, accounts, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of intergovernmental receivables follows:

Fund	Amount
General Fund	\$222,505
Food Service Fund	24,324
Auxiliary Services Fund	951
Race to the Top Fund	72,700
Title I Fund	38,162
Improving Teacher Quality Fund	4,428
	\$363,070

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2015:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$356,591	\$0
Other Governmental Funds	0	356,591
Totals	\$356,591	\$356,591

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

**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds for the fiscal year 2015:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$2,982
Other Governmental Funds	2,982	0
Total All Funds	\$2,982	\$2,982

In fiscal year 2015, the District Managed Activity Fund received a transfer from the General Fund to cover a cash deficit.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

**NOTE 10 - CAPITAL ASSETS**

**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2015:

***Historical Cost:***

<u>Class</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$965,003	\$0	\$0	\$965,003
<b><i>Capital assets being depreciated:</i></b>				
Land Improvements	2,362,675	0	0	2,362,675
Buildings and Improvements	159,185,145	588,685	0	159,773,830
Machinery and Equipment	2,353,155	376,525	0	2,729,680
Vehicles	3,573,224	51,599	(15,200)	3,609,623
Total Cost	<u>\$168,439,202</u>	<u>\$1,016,809</u>	<u>(\$15,200)</u>	<u>\$169,440,811</u>

***Accumulated Depreciation:***

<u>Class</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land Improvements	(\$842,524)	(\$86,544)	\$0	(\$929,068)
Buildings and Improvements	(5,173,730)	(885,174)	0	(6,058,904)
Machinery and Equipment	(1,830,570)	(58,693)	0	(1,889,263)
Vehicles	(2,525,334)	(216,318)	13,680	(2,727,972)
Total Depreciation	<u>(\$10,372,158)</u>	<u>(\$1,246,729) *</u>	<u>\$13,680</u>	<u>(\$11,605,207)</u>
<b><i>Net Value:</i></b>	<u>\$158,067,044</u>			<u>\$157,835,604</u>

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

Instruction	\$1,025,526
Support Services:	
Fiscal Services	771
Operation and Maintenance of Plant	50,700
Pupil Transportation	167,079
Extracurricular Activities	2,653
Total Depreciation Expense	<u>\$1,246,729</u>

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 11- 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. Net Pension Liability**

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

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

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

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

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. Plan Description**

***School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary. One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$895,119 for fiscal year 2015.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Plan Description (Continued)**

###### ***State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Plan Description** (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,298,804 for fiscal year 2015. Of this amount \$547,705 is reported as an intergovernmental payable.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$12,000,406	\$60,906,219	\$72,906,625
Proportion of the Net Pension Liability	0.237118%	0.2504011%	
Pension Expense	\$705,722	\$2,554,761	\$3,260,483

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$102,136	\$586,355	\$688,491
School District contributions subsequent to the measurement date	895,119	3,298,804	4,193,923
Total Deferred Outflows of Resources	<u>\$997,255</u>	<u>\$3,885,159</u>	<u>\$4,882,414</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,947,700</u>	<u>\$11,267,881</u>	<u>\$13,215,581</u>
Total Deferred Inflows of Resources	<u>\$1,947,700</u>	<u>\$11,267,881</u>	<u>\$13,215,581</u>

\$4,193,923 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$461,391)	(\$2,670,381)	(\$3,131,772)
2017	(461,391)	(2,670,381)	(3,131,772)
2018	(461,391)	(2,670,382)	(3,131,773)
2019	(461,391)	(2,670,382)	(3,131,773)
Total	<u>(\$1,845,564)</u>	<u>(\$10,681,526)</u>	<u>(\$12,527,090)</u>

# HUBER HEIGHTS CITY SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015*

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### NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

#### **D. Actuarial Assumptions**

##### *School Employees Retirement System (SERS)*

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**D. Actuarial Assumptions** (Continued)

Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

***Discount Rate*** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$17,121,015	\$12,000,406	\$7,693,533

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**D. Actuarial Assumptions (Continued)**

***State Teachers Retirement System (STRS)***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **D. Actuarial Assumptions** (Continued)

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$87,193,892	\$60,906,219	\$38,675,692

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount (\$20,450 for 2015), pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

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, 2015, 2014, and 2013 were \$196,251, \$134,722, and \$144,562 respectively; which were equal to the required contributions for each year.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](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 2015, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$270,623, and \$321,846 respectively; which were equal to the required contributions for each year.

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015**

#### **NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the long term debt of the District for the fiscal year ended June 30, 2015 is as follows:

		Restated Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Amount Due Within One Year
<b>Governmental Activities:</b>						
Energy Conservation Note:						
School Improvement - 4.58%	2005	\$30,365	\$0	(\$30,365)	\$0	\$0
General Obligation Bonds:						
School Improvement - 2.0-5.0%	2010	76,200,000	0	(1,080,000)	75,120,000	1,245,000
Certification of Participation:						
School Improvement - 6.75%	2010	1,400,000	0	(90,000)	1,310,000	95,000
Net Pension Liability:						
State Teachers Retirement System		72,551,089	0	(11,644,870)	60,906,219	0
School Employees Retirement System		14,100,646	0	(2,100,240)	12,000,406	0
Total Net Pension Liability:		86,651,735	0	(13,745,110)	72,906,625	0
Capital Leases Payable		89,076	0	(41,947)	47,129	23,299
Compensated Absences		2,002,402	242,989	(362,891)	1,882,500	176,349
Total Long Term Debt and Other Obligations		<u>\$166,373,578</u>	<u>\$242,989</u>	<u>(\$15,350,313)</u>	<u>\$151,266,254</u>	<u>\$1,539,648</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, 2015 follows:

Years	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2016	\$1,245,000	\$3,568,007	\$95,000	\$85,219
2017	1,715,000	3,523,607	105,000	78,469
2018	1,765,000	3,469,200	110,000	71,213
2019	1,980,000	3,403,393	115,000	63,619
2020	2,055,000	3,314,893	125,000	55,519
2021-2025	12,775,000	14,856,609	760,000	135,000
2026-2030	17,570,000	11,281,341	0	0
2031-2035	24,155,000	6,128,125	0	0
2036-2037	11,860,000	604,750	0	0
Totals	<u>\$75,120,000</u>	<u>\$50,149,925</u>	<u>\$1,310,000</u>	<u>\$489,039</u>

**HUBER HEIGHTS CITY SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**NOTE 14 - CAPITALIZED LEASE**

The District is obligated under 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 \$94,101.

The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2015:

Year Ending June 30,	Capital Lease
2016	\$24,374
2017	24,374
Minimum Lease Payments	48,748
Less: Amount representing interest at the District's incremental borrowing rate of interest	(1,619)
Present Value of minimum lease payments	\$47,129

**NOTE 15 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a reserve. During the fiscal year ended June 30, 2015, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	1,005,011
Current Year Offsets	(4,109,854)
Total	(\$3,104,843)
Balance Carried Forward to FY 2016	\$0

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

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 16 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio School Plan for insurance. This policy has a limit of insurance in the amount of \$220,431,632 for property. The base policy for vehicle liability insurance is \$5,000,000 per occurrence. The Treasurer is bonded.

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

The District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The council contracts with Comp Management to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers compensation experience of the participation school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays this rate. Total savings is then calculated and each participants individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement 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 17 - JOINTLY GOVERNED ORGANIZATION**

*Metropolitan Dayton Educational Cooperative Association* – The District is a member of the Metropolitan Dayton Educational Cooperative 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, 2015***

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#### **NOTE 17 - 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 \$229,441 for services provided during the fiscal 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 2015, the District paid \$3,081 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 Technology Center* – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty-seven participating school districts. The Board possesses its own budgeting and taxing authority.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2015, the District paid \$8,479 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 17 - 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 18 – 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 2015, the District contributed \$8,236,385, which represented 4.95 percent of total contributions to the Trust. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

# **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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### **NOTE 19 - CONTINGENCIES**

#### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

#### **B. Litigation**

The District is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2015.

#### **C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

### **NOTE 20 – SIGNIFICANT COMMITMENTS**

At June 30, 2015 the District had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General	\$1,956,046
Debt Service	21,759
Ohio School Facilities	452,627
Other Governmental Funds	946,435
Total Governmental Funds	<u><u>\$3,376,867</u></u>

***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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***HUBER HEIGHTS CITY SCHOOL DISTRICT***

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***REQUIRED SUPPLEMENTAL INFORMATION***

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## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Schedule of District's Proportionate Share of the Net Pension Liability Current Year***

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#### **State Teachers Retirement System**

Fiscal Year	<u>2014</u>
District's proportion of the net pension liability (asset)	0.25040112%
District's proportionate share of the net pension liability (asset)	\$60,906,219
District's covered-employee payroll	\$27,062,346
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.06%
Plan fiduciary net position as a percentage of the total pension liability	74.70%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

Fiscal Year	<u>2014</u>
District's proportion of the net pension liability (asset)	0.237118%
District's proportionate share of the net pension liability (asset)	\$12,000,406
District's covered-employee payroll	\$6,929,278
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.18%
Plan fiduciary net position as a percentage of the total pension liability	71.70%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statements 68 in 2015.

Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

## **HUBER HEIGHTS CITY SCHOOL DISTRICT**

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### ***Schedule of District Contributions Last Two Fiscal Years***

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#### **State Teachers Retirement System**

Fiscal Year	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$3,518,105	\$3,298,804
Contributions in relation to the contractually required contribution	<u>3,518,105</u>	<u>3,298,804</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$27,062,346	\$23,562,886
Contributions as a percentage of covered-employee payroll	13.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

Fiscal Year	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$960,398	\$895,119
Contributions in relation to the contractually required contribution	<u>960,398</u>	<u>895,119</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$6,929,278	\$6,791,495
Contributions as a percentage of covered-employee payroll	13.86%	13.18%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.  
Information prior to 2014 is not available.

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**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$251,150		\$251,150	
National School Lunch Program	10.555	1,211,321	\$147,162	1,211,321	\$147,162
Special Milk Program for Children	10.556	5,101		5,101	
Summer Food Service Program for Children	10.559	3,151		3,151	
Total Child Nutrition Cluster		<u>1,470,723</u>	<u>147,162</u>	<u>1,470,723</u>	<u>147,162</u>
Total U.S. Department of Agriculture		1,470,723	147,162	1,470,723	147,162
<b>U.S. Department of Education</b>					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	1,375,340		1,427,342	
Special Education Cluster:					
Special Education - Grants to States	84.027	1,209,705		1,251,303	
Special Education - Preschool Grants	84.173	50,310		50,310	
Total Special Education Cluster		<u>1,260,015</u>		<u>1,301,613</u>	
English Language Acquisition State Grants	84.365	29,117		29,237	
Improving Teacher Quality State Grants	84.367	90,183		140,627	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	45,418		148,690	
Total U.S. Department of Education		<u>2,800,073</u>		<u>3,047,509</u>	
Total Federal Financial Assistance		<u>\$4,270,796</u>	<u>\$147,162</u>	<u>\$4,518,232</u>	<u>\$147,162</u>

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

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Huber Heights City School District's (the District's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huber Heights City School District, Montgomery County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2016, wherein we noted the District adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 4, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Huber Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Huber Heights City School District's major federal program for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Huber Heights City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 4, 2016

**HUBER HEIGHTS CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Program (list):</b>	Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program: CFDA #10.555 Special Milk Program for Children: CFDA #10.556 Summer Food Service Program for Children: CFDA #10.559
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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# 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  
MARCH 24, 2016**