

Dave Yost • Auditor of State

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – June 30, 2016	17
Statement of Activities – For the Fiscal Year Ended June 30, 2016	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2016	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2016	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - For the Fiscal Year Ended June 30, 2016	21
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, 2016	22
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, 2016	23
Statement of Fiduciary Net Position – Fiduciary Funds – June 30, 2016.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund – For the Fiscal Year Ended June 30, 2016	25
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability – School Employees Retirement System (SERS) of Ohio – Last Two Fiscal Years	62
Schedule of the District’s Proportionate Share of the Net Pension Liability – State Teachers Retirement System (STRS) of Ohio – Last Two Fiscal Years.....	63
Schedule of District Contributions – School Employees Retirement System (SERS) of Ohio – Last Three Fiscal Years	64
Schedule of District Contributions – State Teachers Retirement System (STRS) of Ohio – Last Three Fiscal Years	65
Notes to Required Supplementary Information.....	66

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of Expenditures of Federal Awards (Prepared by Management)	67
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management)	68
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance with Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	71
Schedule of Findings.....	73



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, 2016, 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, 2016, 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.

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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the 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 February 24, 2017, 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The management's discussion and analysis of Huber Heights City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$3,430,114, which represents an 8.55% increase from fiscal year 2015.
- General revenues accounted for \$66,254,019 in revenue or 84.80% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$11,875,797 in revenue or 15.20% of total revenues of \$78,129,816.
- The District had \$74,699,702 in expenses related to governmental activities; \$11,875,797 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$66,254,019 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$65,539,324 in revenues and other financing sources and \$58,597,172 in expenditures. During fiscal year 2016, the general fund's fund balance increased from \$17,481,954 to \$24,348,496.
- The debt service fund had \$81,868,594 in revenues and other financing sources and \$80,717,226 in expenditures and other financing uses. Included in these amounts are approximately \$77.3 million in sources and uses related to refunding bonds issued during the year. During fiscal year 2016, the debt service fund's fund balance increased from \$3,670,575 to \$4,821,943.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-59 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62-66 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 74,126,557	\$ 76,282,159
Capital assets, net	<u>156,497,618</u>	<u>157,835,604</u>
Total assets	<u>230,624,175</u>	<u>234,117,763</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	8,516,045	-
Pensions	<u>7,805,288</u>	<u>4,882,414</u>
Total deferred outflows of resources	<u>16,321,333</u>	<u>4,882,414</u>
<u>Liabilities</u>		
Current liabilities	6,846,402	7,699,949
Long-term liabilities:		
Due within one year	1,982,755	1,539,648
Due in more than one year:		
Net pension liability	79,952,135	72,906,625
Other amounts	<u>81,446,320</u>	<u>76,819,981</u>
Total liabilities	<u>170,227,612</u>	<u>158,966,203</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	25,213,916	26,722,429
Pensions	<u>7,977,902</u>	<u>13,215,581</u>
Total deferred inflows of resources	<u>33,191,818</u>	<u>39,938,010</u>
<u>Net Position</u>		
Net investment in capital assets	83,809,713	96,415,602
Restricted	16,307,114	8,540,666
Unrestricted (deficit)	<u>(56,590,749)</u>	<u>(64,860,304)</u>
Total net position	<u>\$ 43,526,078</u>	<u>\$ 40,095,964</u>

During fiscal year 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

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.

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.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,526,078.

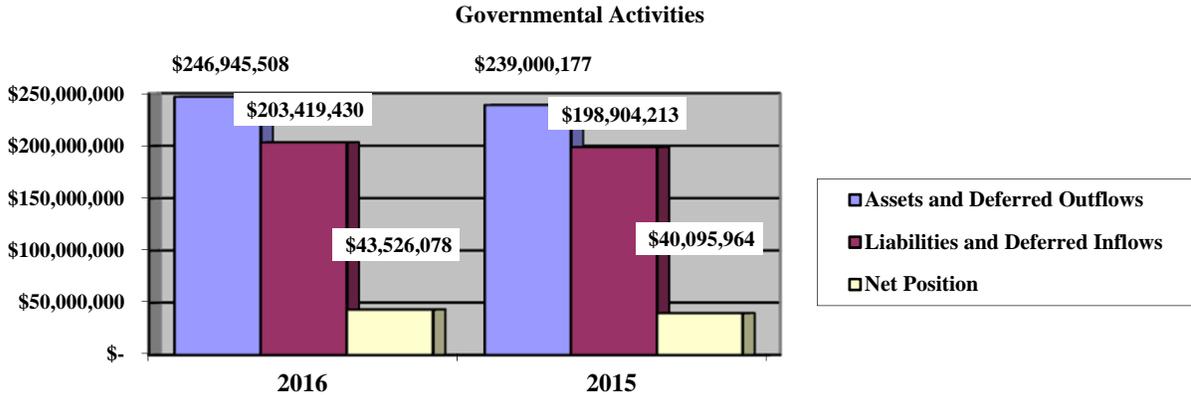
**HUBER HEIGHTS SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

At year end, capital assets represented 67.86% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and vehicles. The District's net investment in capital assets at June 30, 2016 was \$83,809,713. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$16,307,114, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$56,590,749.

The graph below illustrates the District's assets, liabilities, deferred inflows of resources, and net position at June 30, 2016 and June 30, 2015.



The following table shows the changes in net position for governmental activities for fiscal years 2016 and 2015.

Change in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,521,289	\$ 2,417,367
Operating grants and contributions	9,354,508	6,434,134
Capital grants and contributions	-	24,320
General revenues:		
Property taxes	30,162,564	31,441,011
Grants and entitlements	35,406,709	35,427,067
Investment earnings	316,174	77,635
Miscellaneous	368,572	367,259
Total revenues	78,129,816	76,188,793

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

<u>Expenses</u>	Governmental Activities	
	2016	2015
Program expenses:		
Instruction	\$ 44,088,526	\$ 42,401,840
Support services:		
Pupil	3,083,706	2,404,768
Instructional staff	1,642,183	642,473
Board of education	17,940	13,675
Administration	3,438,575	3,337,574
Fiscal	1,114,353	1,091,840
Business	355,076	226,833
Operations and maintenance	5,582,379	4,227,251
Pupil transportation	2,535,033	2,708,714
Central	456,052	275,878
Operation of non-instructional services:		
Food service operations	2,137,424	2,098,058
Other non-instructional services	429,906	439,374
Extracurricular activities	824,028	966,849
Interest and fiscal charges	2,719,784	3,691,669
Intergovernmental	6,274,737	-
Total expenses	74,699,702	64,526,796
Change in net position	3,430,114	11,661,997
Net position at beginning of year	40,095,964	28,433,967
Net position at end of year	\$ 43,526,078	\$ 40,095,964

Governmental Activities

Net position of the District's governmental activities increased \$3,430,114. Total governmental expenses of \$74,699,702 were offset by program revenues of \$11,875,797 and general revenues of \$66,254,019. Program revenues supported 15.90% of the total governmental expenses.

Total revenues increased \$1,941,023 (2.55%) which is mostly due to an increase in operating grants and contributions. This resulted from an increase in special education funding from the State. The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 83.92% of total governmental revenue.

Total expenses increased \$10,172,906 or 15.77%. This is partially attributable to intergovernmental expenses of \$6,274,737 reported in 2016, which represents the return of unused State funding due to the District's recent school facilities construction project coming in under budget. In addition, the District experienced an increase in employee wages and benefits costs in accordance with the latest negotiated agreements with the unions. The largest expense of the District is for instructional programs. Instruction expenses totaled \$44,088,526 or 59.02% of total governmental expenses for fiscal year 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

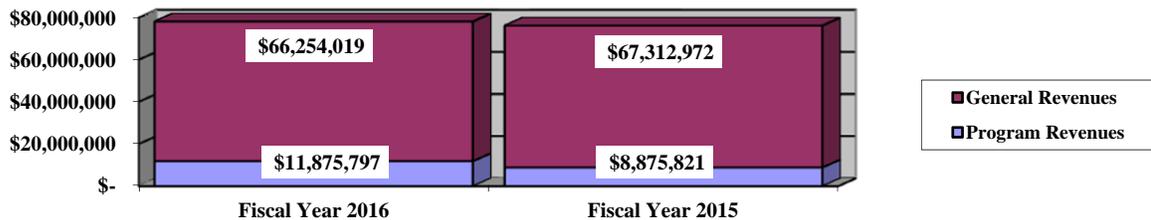
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
Program expenses:				
Instruction	\$ 44,088,526	\$ 37,119,270	\$ 42,401,840	\$ 37,759,194
Support services:				
Pupil	3,083,706	2,769,703	2,404,768	2,267,038
Instructional staff	1,642,183	889,918	642,473	524,447
Board of education	17,940	17,940	13,675	13,675
Administration	3,438,575	3,368,212	3,337,574	3,287,954
Fiscal	1,114,353	1,114,353	1,091,840	1,091,840
Business	355,076	355,076	226,833	226,833
Operations and maintenance	5,582,379	5,582,379	4,227,251	4,117,899
Pupil transportation	2,535,033	2,502,486	2,708,714	2,708,714
Central	456,052	418,007	275,878	275,878
Operation of non-instructional services:				
Food service operations	2,137,424	(445,389)	2,098,058	(348,943)
Other non-instructional services	429,906	(12,515)	439,374	(16,220)
Extracurricular activities	824,028	149,944	966,849	50,997
Interest and fiscal charges	2,719,784	2,719,784	3,691,669	3,691,669
Intergovernmental	6,274,737	6,274,737	-	-
Total expenses	<u>\$ 74,699,702</u>	<u>\$ 62,823,905</u>	<u>\$ 64,526,796</u>	<u>\$ 55,650,975</u>

The dependence upon taxes and other general revenues for governmental activities is apparent, as 84.19% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.10%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The District's Funds

The District's governmental funds reported a combined fund balance of \$40,507,190, which is less than last year's total balance of \$41,359,500. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	Increase/ <u>(Decrease)</u>
General fund	\$ 24,348,496	\$ 17,481,954	\$ 6,866,542
Debt service	4,821,943	3,670,575	1,151,368
Nonmajor governmental funds	<u>11,336,751</u>	<u>20,206,971</u>	<u>(8,870,220)</u>
 Total	 <u>\$ 40,507,190</u>	 <u>\$ 41,359,500</u>	 <u>\$ (852,310)</u>

General Fund

The District's general fund balance increased \$6,866,542.

The table that follows assists in illustrating the revenues of the general fund during fiscal years 2016 and 2015.

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Property taxes	\$ 25,127,147	\$ 26,443,324	(4.98) %
Tuition	620,701	562,904	10.27 %
Investment earnings	237,275	23,442	912.18 %
Extracurricular	481,019	589,158	(18.35) %
Classroom materials and fees	165,937	139,817	18.68 %
Intergovernmental	38,448,578	35,938,299	6.98 %
Other revenues	<u>441,119</u>	<u>252,332</u>	<u>74.82 %</u>
 Total	 <u>\$ 65,521,776</u>	 <u>\$ 63,949,276</u>	 <u>2.46 %</u>

Overall revenues of the general fund increased \$1,572,500 or 2.46%. Intergovernmental revenues increased due to additional funding from the State Foundation Program. The significant increase in investment earnings is a result of more investments held by the general fund in 2016. The only significant decrease in revenues was property taxes, which is mostly due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2016 and 2015 was approximately \$0.9 million and \$1.7 million, respectively. This amount can vary depending upon when the County Auditor distributes tax bills.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund during fiscal years 2016 and 2015.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 40,895,561	\$ 39,721,803	2.95 %
Support services	17,139,079	14,123,223	21.35 %
Operation of non-instructional services	156	275	(43.27) %
Extracurricular activities	<u>562,376</u>	<u>580,828</u>	<u>(3.18) %</u>
Total	<u>\$ 58,597,172</u>	<u>\$ 54,426,129</u>	<u>7.66 %</u>

Overall expenditures of the general fund increased \$4,171,043 or 7.66%. This is partially attributable to increased costs for employee wages and benefits. The District also financed additional materials and supplies purchases with general fund money in 2016.

Debt Service Fund

The debt service fund is used to account for proceeds from a voted tax that are restricted to expenditure for debt service payments on the District's general obligation bonds and other debt obligations. The debt service fund had \$81,868,594 in revenues and other financing sources and \$80,717,226 in expenditures and other financing uses. Included in these amounts are approximately \$77.3 million in sources and uses related to refunding bonds issued during the year. During fiscal year 2016, the debt service fund's fund balance increased from \$3,670,575 to \$4,821,943.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues of \$66,874,484 were increased to \$67,981,683 in the final budget. Actual revenues and other financing sources were \$69,886,149, which was \$1,904,466 (2.80%) more than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$60,647,601 were increased to \$66,363,912 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$62,534,269, which was \$3,829,643 (5.77%) less than the final budgeted amounts. This variance is a result of the District's conservative approach to budgeting which ensures that actual expenditures do not exceed the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$156,497,618 invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and vehicles.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The following table shows June 30, 2016 balances compared to those at June 30, 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 965,003	\$ 965,003
Construction in progress	13,062	-
Land improvements	1,332,006	1,433,607
Buildings and improvements	152,010,503	153,714,926
Machinery and equipment	1,006,832	840,417
Vehicles	1,170,212	881,651
Total	\$ 156,497,618	\$ 157,835,604

The overall decrease in capital assets is due to depreciation expense of \$1,263,578 and net capital asset disposals of \$1,027,651 exceeding capital outlays of \$953,243. Major capital asset disposals included the sale of an old elementary school which had not been in use since 2011. Most of the capital asset additions during the year consisted of equipment and vehicle purchases.

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

Debt Administration

At June 30, 2016, the District had \$72,878,830 in general obligation bonds, certificates of participation and capital leases outstanding. Of this total, \$1,713,830 is due within one year and \$71,165,000 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2016 and June 30, 2015.

	Governmental Activities	
	2016	2015
General Obligation bonds	\$ 71,640,000	\$ 75,120,000
Certificates of Participation	1,215,000	1,310,000
Capital Leases	23,830	47,129
Total	\$ 72,878,830	\$ 76,477,129

Total long-term debt additions were \$65,840,000 and total reductions were \$69,438,299 during fiscal year 2016. The District issued refunding bonds in the amount of \$65,840,000 during the year in order to advance refund certain of its previously outstanding general obligation bond issues.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Current Financial Related Activities

Due to the current economic climate, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the local contribution to public education continues to be based on property taxes, the recent reductions in home value reappraisals have had a negative effect on collections. Assessed property tax values in the District have decreased \$82,846,140 or approximately 11% since 2010.

The State budget for fiscal years 2016 and 2017 proposed a new formula to fund school districts. Under the new funding formula, the District experienced an increase of approximately \$2.38 million in fiscal year 2016 and expects to see an increase of another \$1.57 million in fiscal year 2017.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 16,984,279
Investments.	28,338,047
Receivables:	
Property taxes	27,316,480
Intergovernmental	1,208,783
Accrued interest	28,537
Materials and supplies inventory	231,309
Inventory held for resale	19,122
Capital assets:	
Nondepreciable capital assets	978,065
Depreciable capital assets, net	155,519,553
Capital assets, net.	156,497,618
Total assets	230,624,175
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding .	8,516,045
Pension - STRS	6,688,898
Pension - SERS	1,116,390
Total deferred outflows of resources	16,321,333
Liabilities:	
Accounts payable	511,890
Accrued wages and benefits payable	5,110,395
Intergovernmental payable.	210,700
Pension and postemployment benefits payable. . .	753,363
Accrued interest payable	260,054
Long-term liabilities:	
Due within one year.	1,982,755
Due in more than one year:	
Net pension liability (See Note 12)	79,952,135
Other amounts due in more than one year. . . .	81,446,320
Total liabilities	170,227,612
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	25,213,916
Pension - STRS	7,036,680
Pension - SERS	941,222
Total deferred inflows of resources	33,191,818
Net position:	
Net investment in capital assets	83,809,713
Restricted for:	
Capital projects.	6,443,601
Classroom facilities maintenance.	3,233,130
Debt service.	4,697,353
Locally funded programs	1,472
State funded programs	115,679
Federally funded programs	146,999
Student activities	98,388
Other purposes	1,570,492
Unrestricted (deficit)	(56,590,749)
Total net position	\$ 43,526,078

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 28,017,469	\$ 867,781	\$ 100,705	\$ (27,048,983)
Special	10,638,756	116,081	5,884,689	(4,637,986)
Vocational	12,888	-	-	(12,888)
Other	5,419,413	-	-	(5,419,413)
Support services:				
Pupil	3,083,706	-	314,003	(2,769,703)
Instructional staff	1,642,183	-	752,265	(889,918)
Board of education	17,940	-	-	(17,940)
Administration	3,438,575	-	70,363	(3,368,212)
Fiscal	1,114,353	-	-	(1,114,353)
Business	355,076	-	-	(355,076)
Operations and maintenance	5,582,379	-	-	(5,582,379)
Pupil transportation	2,535,033	32,547	-	(2,502,486)
Central	456,052	-	38,045	(418,007)
Operation of non-instructional services:				
Food service operations	2,137,424	830,796	1,752,017	445,389
Other non-instructional services	429,906	-	442,421	12,515
Extracurricular activities	824,028	674,084	-	(149,944)
Interest and fiscal charges	2,719,784	-	-	(2,719,784)
Intergovernmental	6,274,737	-	-	(6,274,737)
Total governmental activities	\$ 74,699,702	\$ 2,521,289	\$ 9,354,508	(62,823,905)
General revenues:				
Property taxes levied for:				
General purposes				25,334,663
Debt service				3,976,819
Facilities maintenance				283,694
Capital outlay				567,388
Grants and entitlements not restricted to specific programs				35,406,709
Investment earnings				316,174
Miscellaneous				368,572
Total general revenues				66,254,019
Change in net position				3,430,114
Net position at beginning of year				40,095,964
Net position at end of year				\$ 43,526,078

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 656,557	\$ 4,677,723	\$ 11,623,990	\$ 16,958,270
Investments	28,338,047	-	-	28,338,047
Receivables:				
Property taxes	22,947,974	3,608,892	759,614	27,316,480
Intergovernmental	502,746	-	706,037	1,208,783
Accrued interest	28,537	-	-	28,537
Interfund loans	353,792	-	-	353,792
Materials and supplies inventory	225,134	-	6,175	231,309
Inventory held for resale	-	-	19,122	19,122
Restricted assets:				
Equity in pooled cash and cash equivalents	-	-	26,009	26,009
Total assets	<u>\$ 53,052,787</u>	<u>\$ 8,286,615</u>	<u>\$ 13,140,947</u>	<u>\$ 74,480,349</u>
Liabilities:				
Accounts payable	\$ 460,793	\$ -	\$ 51,097	\$ 511,890
Accrued wages and benefits payable	4,752,331	-	358,064	5,110,395
Compensated absences payable	107,410	-	-	107,410
Intergovernmental payable	205,302	-	5,398	210,700
Pension and postemployment benefits payable	691,501	-	61,862	753,363
Interfund loans payable	-	-	353,792	353,792
Total liabilities	<u>6,217,337</u>	<u>-</u>	<u>830,213</u>	<u>7,047,550</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	21,183,590	3,330,175	700,151	25,213,916
Delinquent property tax revenue not available	854,612	134,497	28,671	1,017,780
Intergovernmental revenue not available	434,501	-	245,161	679,662
Accrued interest not available	14,251	-	-	14,251
Total deferred inflows of resources	<u>22,486,954</u>	<u>3,464,672</u>	<u>973,983</u>	<u>26,925,609</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	225,134	-	6,175	231,309
Restricted:				
Debt service	-	4,821,943	-	4,821,943
Capital improvements	-	-	6,423,131	6,423,131
Classroom facilities maintenance	-	-	3,223,573	3,223,573
Food service operations	-	-	1,626,409	1,626,409
Auxiliary services	-	-	115,222	115,222
Extracurricular activities	-	-	98,122	98,122
Staff development and support	-	-	1,787	1,787
Other purposes	-	-	30,078	30,078
Committed:				
Pollution remediation	11,000	-	-	11,000
Assigned:				
Student instruction	231,948	-	-	231,948
Student and staff support	698,045	-	-	698,045
Extracurricular activities	2,306	-	-	2,306
School supplies	35,056	-	-	35,056
Unassigned (deficit)	23,145,007	-	(187,746)	22,957,261
Total fund balances	<u>24,348,496</u>	<u>4,821,943</u>	<u>11,336,751</u>	<u>40,507,190</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 53,052,787</u>	<u>\$ 8,286,615</u>	<u>\$ 13,140,947</u>	<u>\$ 74,480,349</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$ 40,507,190
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		156,497,618
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 1,017,780	
Intergovernmental receivable	679,662	
Accrued interest receivable	14,251	
Total	1,711,693	1,711,693
Unamortized premiums on bonds issued are not recognized in the funds.		(8,325,120)
Unamortized deferred charges on debt refundings are not recognized in the funds.		8,516,045
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(260,054)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - pension	7,805,288	
Deferred inflows of resources - pension	(7,977,902)	
Net pension liability	(79,952,135)	
Total	(80,124,749)	(80,124,749)
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	(71,640,000)	
Certificates of participation	(1,215,000)	
Capital lease obligations	(23,830)	
Compensated absences	(2,117,715)	
Total	(74,996,545)	(74,996,545)
Net position of governmental activities		\$ 43,526,078

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 25,127,147	\$ 3,943,645	\$ 844,154	\$ 29,914,946
Tuition	620,701	-	-	620,701
Transportation fees	32,547	-	-	32,547
Charges for services	-	-	830,796	830,796
Earnings on investments	237,275	-	66,165	303,440
Extracurricular	481,019	-	350,289	831,308
Classroom materials and fees	165,937	-	-	165,937
Other local revenues	408,572	-	500	409,072
Intergovernmental - intermediate	99,312	-	-	99,312
Intergovernmental - state	37,427,527	636,437	712,676	38,776,640
Intergovernmental - federal	921,739	-	4,476,746	5,398,485
Total revenues	<u>65,521,776</u>	<u>4,580,082</u>	<u>7,281,326</u>	<u>77,383,184</u>
Expenditures:				
Current:				
Instruction:				
Regular	26,390,496	-	17,772	26,408,268
Special	9,072,324	-	1,725,168	10,797,492
Vocational	12,888	-	-	12,888
Other	5,419,853	-	-	5,419,853
Support services:				
Pupil	2,863,947	-	314,429	3,178,376
Instructional staff	1,002,592	-	655,290	1,657,882
Board of education	15,919	-	-	15,919
Administration	3,698,372	-	64,464	3,762,836
Fiscal	1,025,182	78,094	25,062	1,128,338
Business	344,887	-	-	344,887
Operations and maintenance	4,822,283	-	862,946	5,685,229
Pupil transportation	2,942,617	-	-	2,942,617
Central	423,280	-	34,855	458,135
Operation of non-instructional services:				
Other non-instructional service	156	-	432,418	432,574
Food service operations	-	-	2,171,619	2,171,619
Extracurricular activities	562,376	-	316,850	879,226
Facilities acquisition and construction	-	-	56,121	56,121
Debt service:				
Principal retirement	-	1,245,000	118,299	1,363,299
Interest and fiscal charges	-	2,106,595	86,294	2,192,889
Refunding bond issuance costs	-	586,174	-	586,174
Payment to escrow agent	-	3,000,000	-	3,000,000
Intergovernmental	-	-	6,274,737	6,274,737
Total expenditures	<u>58,597,172</u>	<u>7,015,863</u>	<u>13,156,324</u>	<u>78,769,359</u>
Excess (deficiency) of revenues over (under) expenditures	6,924,604	(2,435,781)	(5,874,998)	(1,386,175)
Other financing sources (uses):				
Premium on refunding bonds issued	-	8,448,512	-	8,448,512
Refunding bonds issued	-	65,840,000	-	65,840,000
Proceeds from sale of assets	17,548	-	-	17,548
Transfers in	-	3,000,000	5,940,707	8,940,707
Transfers (out)	-	-	(8,940,707)	(8,940,707)
Payment to refunding bond escrow agent	-	(73,701,363)	-	(73,701,363)
Total other financing sources (uses)	<u>17,548</u>	<u>3,587,149</u>	<u>(3,000,000)</u>	<u>604,697</u>
Net change in fund balances	6,942,152	1,151,368	(8,874,998)	(781,478)
Fund balances at beginning of year	17,481,954	3,670,575	20,206,971	41,359,500
Increase (decrease) in reserve for inventory	(75,610)	-	4,778	(70,832)
Fund balances at end of year	<u>\$ 24,348,496</u>	<u>\$ 4,821,943</u>	<u>\$ 11,336,751</u>	<u>\$ 40,507,190</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	(781,478)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 953,243	
Current year depreciation	<u>(1,263,578)</u>	
Total		(310,335)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,027,651)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(70,832)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	247,618	
Intergovernmental	679,662	
Earnings on investments	<u>14,251</u>	
Total		941,531
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,363,299
Issuances of bonds and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(65,840,000)
Payments to refunded bond escrow agent for the retirement of bonds are an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.		
		76,701,363
Premiums on refunding bonds issued are amortized over the life of the issuance in the statement of activities.		
		(8,448,512)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest and fiscal charges reported in the statement of activities:		
Decrease in accrued interest payable	46,205	
Amortization of bond premiums	123,392	
Amortization of deferred charges on refunding	<u>(110,318)</u>	
Total		59,279
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		4,522,505
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(3,407,462)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(271,593)</u>
Change in net position of governmental activities	\$	<u>3,430,114</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 26,460,294	\$ 25,377,353	\$ 26,191,480	\$ 814,127
Tuition	627,627	367,410	621,251	253,841
Transportation fees	32,881	15,112	32,547	17,435
Earnings on investments	112,079	60,000	110,940	50,940
Extracurricular	327,118	305,137	323,795	18,658
Other local revenues	435,194	255,000	430,774	175,774
Intergovernmental - intermediate	100,331	300,000	99,312	(200,688)
Intergovernmental - state	37,877,054	37,426,037	37,492,258	66,221
Intergovernmental - federal	901,906	452,000	892,743	440,743
Total revenues	<u>66,874,484</u>	<u>64,558,049</u>	<u>66,195,100</u>	<u>1,637,051</u>
Expenditures:				
Current:				
Instruction:				
Regular	27,144,427	27,616,050	26,234,630	1,381,420
Special	8,977,730	9,812,184	9,161,157	651,027
Vocational	54,312	6,147	13,377	(7,230)
Other	5,130,109	5,568,957	5,415,591	153,366
Support services:				
Pupil	2,609,281	3,044,146	2,831,910	212,236
Instructional staff	731,169	940,898	927,435	13,463
Board of education	23,617	21,975	16,503	5,472
Administration	3,666,729	4,097,710	3,718,139	379,571
Fiscal	1,005,693	1,122,386	1,067,181	55,205
Business	353,323	333,807	347,402	(13,595)
Operations and maintenance	5,881,494	5,650,418	5,205,987	444,431
Pupil transportation	3,311,307	3,543,416	3,037,100	506,316
Central	365,080	468,801	437,387	31,414
Other non-instructional services	-	20,000	-	20,000
Extracurricular activities	643,330	693,383	603,911	89,472
Total expenditures	<u>59,897,601</u>	<u>62,940,278</u>	<u>59,017,710</u>	<u>3,922,568</u>
Excess of revenues over expenditures	<u>6,976,883</u>	<u>1,617,771</u>	<u>7,177,390</u>	<u>5,559,619</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	68,276	68,276
Proceeds from sale of assets	-	-	17,548	17,548
Transfers in	-	2,673,634	2,673,634	-
Transfers (out)	-	(3,173,634)	(3,162,767)	10,867
Advances in	-	750,000	931,591	181,591
Advances (out)	(750,000)	(250,000)	(353,792)	(103,792)
Total other financing sources (uses)	<u>(750,000)</u>	<u>-</u>	<u>174,490</u>	<u>174,490</u>
Net change in fund balance	6,226,883	1,617,771	7,351,880	5,734,109
Fund balance at beginning of year	18,182,299	18,182,299	18,182,299	-
Prior year encumbrances appropriated	1,890,129	1,890,129	1,890,129	-
Fund balance at end of year	<u>\$ 26,299,311</u>	<u>\$ 21,690,199</u>	<u>\$ 27,424,308</u>	<u>\$ 5,734,109</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Special Trust	Agency
Assets:		
Equity in pooled cash and investments	\$ 9,745	\$ 90,173
Total assets	9,745	\$ 90,173
Liabilities:		
Due to students	-	\$ 59,115
Due to others	-	31,058
Total liabilities	-	\$ 90,173
Net position:		
Held in trust for scholarships	9,745	
Total net position	\$ 9,745	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 2,978
Deductions:	
Gifts, awards and scholarships	4,800
Change in net position	(1,822)
Net position at beginning of year	11,567
Net position at end of year.	\$ 9,745

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

The District is governed by a locally elected five member Board of Education (the “Board”) which provides educational services. The Board controls the District’s instructional support facilities staffed by approximately 239 non-certified and approximately 360 certified teaching personnel and administrative employees providing education to 6,532 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statements 39, ‘Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14,’ and 61, ‘The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,’ in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District’s ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statements No. 14, 39, and 61 to be included in the District’s reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with five organizations which are defined as jointly governed, and one public entity risk pool. These organizations include the Metropolitan Educational Technology Association (META), 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. 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
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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, 2016 which are not intended to finance fiscal 2016 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

E. Budgetary Process

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

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

1. Tax Budget

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

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 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 re-appropriated.

5. Budgetary Basis of Accounting

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

F. Cash and Cash Equivalents

During fiscal year 2016, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

G. Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The District invested funds in the STAR Ohio during fiscal year 2016. 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, 2016. See Note 4, "Cash, Cash Equivalents and Investments."

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$237,275, which includes \$79,881 assigned from other District funds.

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

I. Capital Assets and Depreciation

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

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
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

2. Depreciation

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

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

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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, 2016, 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 purchase of bricks for a memorial courtyard.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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 2016, the District reported no extraordinary or special items.

T. Fair Market Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Miscellaneous state grants	\$ 2,694
IDEA Part B	94,902
Title III	2,136
Title I	65,180
IDEA preschool grant for the handicapped	4,126
Improving teacher quality	18,177
Miscellaneous federal grants	531

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

A. Cash on Hand

At fiscal year end, the District had \$2,400 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$11,939,342. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$11,773,110 of the District’s bank balance of \$12,023,204 was exposed to custodial risk as \$250,094 was covered by the FDIC.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 3,714,825	\$ -	\$ 3,214,462	\$ 500,363	\$ -	\$ -
FHLB	4,330,284	1,500,806	1,880,869	948,609	-	-
FHLMC	1,856,103	-	-	-	-	1,856,103
FNMA	3,222,086	1,275,044	-	110,304	110,021	1,726,717
Negotiable CDs	3,560,375	-	1,901,252	641,582	-	1,017,541
Commercial paper	6,597,221	6,344,121	253,100	-	-	-
STAR Ohio	5,142,455	5,142,455	-	-	-	-
U.S. Treasury obligations	5,057,153	5,057,153	-	-	-	-
Total	<u>\$ 33,480,502</u>	<u>\$ 19,319,579</u>	<u>\$ 7,249,683</u>	<u>\$ 2,200,858</u>	<u>\$ 110,021</u>	<u>\$ 4,600,361</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The weighted average maturity of investments is 0.57 years.

The District's investments in federal agency securities, negotiable certificates of deposit, commercial paper and U.S. Treasury obligations are valued using quoted market prices (Level 1 inputs).

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's mutual funds carry a rating of AAAM and Aaa-mf by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 3,714,825	11.10
FHLB	4,330,284	12.93
FHLMC	1,856,103	5.54
FNMA	3,222,086	9.62
Negotiable CDs	3,560,375	10.63
Commercial paper	6,597,221	19.70
STAR Ohio	5,142,455	15.36
U.S. Treasury obligations	5,057,153	15.12
Total	<u>\$ 33,480,502</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,939,342
Investments	33,480,502
Cash on hand	<u>2,400</u>
Total	<u>\$ 45,422,244</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 45,322,326
Private-purpose trust fund	9,745
Agency funds	<u>90,173</u>
Total	<u>\$ 45,422,244</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$909,772 in the general fund, \$144,220 in the debt service fund, \$20,528 in the permanent improvement fund and \$10,264 in the classroom facilities maintenance fund. This amount is recorded as revenue. The amount available as an advance at June 30, 2015 was \$1,659,469 in the general fund, \$261,700 in the debt service fund, \$37,439 in the permanent improvement fund and \$18,720 in the classroom facilities maintenance fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 652,501,790	98.03	\$ 655,270,550	98.00
Public utility personal	<u>13,112,450</u>	<u>1.97</u>	<u>13,366,010</u>	<u>2.00</u>
Total	<u>\$ 665,614,240</u>	<u>100.00</u>	<u>\$ 668,636,560</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 66.74		\$ 66.74	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, intergovernmental grants and entitlements and accrued interest. Receivables have been disaggregated on the face of the basic financial statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. All receivables are expected to be collected within the subsequent year. A summary of intergovernmental receivables follows:

	<u>Governmental activities</u>
Medicaid School Program	\$ 301,697
SERS Refund	194,899
State Foundation Program	30,132
Parent Mentor Grant	9,114
IDEA Part B Grant	259,455
Title III Grant	6,115
Title I Grant	270,397
IDEA Preschool Grant for the Handicapped	10,204
Improving Teacher Quality Grant	<u>126,770</u>
Total	<u>\$ 1,208,783</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 965,003	\$ -	\$ -	\$ 965,003
Construction in progress	<u>-</u>	<u>13,062</u>	<u>-</u>	<u>13,062</u>
Total capital assets, not being depreciated	<u>965,003</u>	<u>13,062</u>	<u>-</u>	<u>978,065</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	2,362,675	-	(121,069)	2,241,606
Buildings and Improvements	159,773,830	45,753	(1,810,730)	158,008,853
Machinery and Equipment	2,729,680	404,594	(728,362)	2,405,912
Vehicles	<u>3,609,623</u>	<u>489,834</u>	<u>(88,109)</u>	<u>4,011,348</u>
Total capital assets, being depreciated	<u>168,475,808</u>	<u>940,181</u>	<u>(2,748,270)</u>	<u>166,667,719</u>
<i>Less: accumulated depreciation:</i>				
Land Improvements	(929,068)	(86,372)	105,840	(909,600)
Buildings and Improvements	(6,058,904)	(872,997)	933,551	(5,998,350)
Machinery and Equipment	(1,889,263)	(111,747)	601,930	(1,399,080)
Vehicles	<u>(2,727,972)</u>	<u>(192,462)</u>	<u>79,298</u>	<u>(2,841,136)</u>
Total accumulated depreciation	<u>(11,605,207)</u>	<u>(1,263,578)</u>	<u>1,720,619</u>	<u>(11,148,166)</u>
Governmental activities capital assets, net	<u>\$ 157,835,604</u>	<u>\$ (310,335)</u>	<u>\$ (1,027,651)</u>	<u>\$ 156,497,618</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,025,319
Special	29,684

Support services:

Fiscal	771
Operations and maintenance	56,776
Pupil transportation	147,510
Extracurricular activities	<u>3,518</u>

Total depreciation expense \$ 1,263,578

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - 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, 2016 is as follows:

	<u>Balance</u> <u>07/01/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2010 School Improvement - 2.0-5.0%	\$ 75,120,000	\$ -	\$ (69,320,000)	\$ 5,800,000	\$ -
2015 Refunding - 4.0%	-	8,565,000	-	8,565,000	-
2016 Refunding - 3.0-5.0%	-	57,275,000	-	57,275,000	1,585,000
Certificate of Participation:					
2010 School Improvement - 6.75%	1,310,000	-	(95,000)	1,215,000	105,000
Net Pension Liability:					
STRS	60,906,219	6,175,592	-	67,081,811	-
SERS	12,000,406	869,918	-	12,870,324	-
Total Net Pension Liability	<u>72,906,625</u>	<u>7,045,510</u>	<u>-</u>	<u>79,952,135</u>	<u>-</u>
Capital Leases Payable	47,129	-	(23,299)	23,830	23,830
Compensated Absences	<u>1,882,500</u>	<u>830,295</u>	<u>(487,670)</u>	<u>2,225,125</u>	<u>268,925</u>
Total Long-Term Debt and Other Obligations	<u>\$ 151,266,254</u>	<u>\$ 73,715,805</u>	<u>\$ (69,925,969)</u>	155,056,090	<u>\$ 1,982,755</u>
			Add unamortized premium on bonds	<u>\$ 8,325,120</u>	
			Total reported on the Statement of Net Position	<u>\$ 163,381,210</u>	

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

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

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

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

A portion of the 2010 general obligation bonds was refunded during fiscal year 2016 with the 2016 Refunding bonds, issued in the amount of \$57,275,000. Issuance proceeds of \$66,864,618 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2016, \$59,345,000 of this debt was outstanding.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The reacquisition price exceeded the net carrying amount of the old debt by \$7,519,618. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service payments by \$11,507,385 and resulted in an economic gain of \$5,780,827.

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2016 follows:

Fiscal Year Ending	General Obligation Bonds			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,585,000	\$ 3,014,703	\$ 4,599,703	\$ 105,000	\$ 78,469	\$ 183,469
2018	1,765,000	2,866,481	4,631,481	110,000	71,213	181,213
2019	1,980,000	2,800,675	4,780,675	115,000	63,619	178,619
2020	2,055,000	2,712,175	4,767,175	125,000	55,519	180,519
2021	2,125,000	2,607,675	4,732,675	135,000	46,744	181,744
2022 - 2026	13,470,000	11,296,325	24,766,325	625,000	88,256	713,256
2027 - 2031	18,410,000	7,861,050	26,271,050	-	-	-
2032 - 2036	24,540,000	3,127,550	27,667,550	-	-	-
2037	<u>5,710,000</u>	<u>85,650</u>	<u>5,795,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 71,640,000</u>	<u>\$ 36,372,284</u>	<u>\$ 108,012,284</u>	<u>\$ 1,215,000</u>	<u>\$ 403,820</u>	<u>\$ 1,618,820</u>

NOTE 9 - 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, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 24,374
Total	24,374
Less: amount representing interest	<u>(544)</u>
Present value	<u>\$ 23,830</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a reserve. During the fiscal year ended June 30, 2016, the reserve activity (cash-basis) was as follows:

	Capital Acquisition <u>Reserve</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	1,006,404
Current year offsets	<u>(1,126,169)</u>
Total	<u>\$ (119,765)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

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

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio School Plan for insurance. This policy has a limit of insurance in the amount of \$221,426,529 for property. The base policy for vehicle liability insurance is \$5,000,000 per occurrence. The Treasurer is bonded.

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

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

The District has elected to provide employee medical benefits through United Health Care as part of an insurance purchasing pool through the SOEPC. The employees share the cost of the monthly premium with the board for single and family plans. The board pays 85 percent of the premium.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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 under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$905,173 for fiscal year 2016. Of this amount, \$59,516 is reported as pension and postemployment benefits payable.

Plan Description - 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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.

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,617,332 for fiscal year 2016. Of this amount, \$573,452 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2015, 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	\$ 12,870,324	\$ 67,081,811	\$ 79,952,135
Proportion of the net pension liability	0.22555390%	0.24272399%	
Pension expense	\$ 649,478	\$ 2,757,984	\$ 3,407,462

At June 30, 2016, 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 211,217	\$ 3,071,566	\$ 3,282,783
District contributions subsequent to the measurement date	<u>905,173</u>	<u>3,617,332</u>	<u>4,522,505</u>
Total deferred outflows of resources	<u>\$ 1,116,390</u>	<u>\$ 6,688,898</u>	<u>\$ 7,805,288</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 497,677	\$ 5,083,550	\$ 5,581,227
Changes in proportionate share	<u>443,545</u>	<u>1,953,130</u>	<u>2,396,675</u>
Total deferred inflows of resources	<u>\$ 941,222</u>	<u>\$ 7,036,680</u>	<u>\$ 7,977,902</u>

\$4,522,505 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (319,316)	\$ (1,658,873)	\$ (1,978,189)
2018	(319,316)	(1,658,873)	(1,978,189)
2019	(319,316)	(1,658,877)	(1,978,193)
2020	227,943	1,011,509	1,239,452
Total	\$ (730,005)	\$ (3,965,114)	\$ (4,695,119)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

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.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 17,846,515	\$ 12,870,324	\$ 8,679,961

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2015, 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	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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%)
District's proportionate share of the net pension liability	\$ 93,181,696	\$ 67,081,811	\$ 45,010,466

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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 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, 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$120,395.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$120,395, \$196,251, and \$134,722, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$270,623, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association - On July 1, 2015 the District was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016 MDECA merged with the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The District paid META \$220,135 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council - The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from various funds. During fiscal year 2016, the District paid \$2,711 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - JOINTLY GOVERNED ORGANIZATION - (Continued)

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty-seven participating school districts. The Board possesses its own budgeting and taxing authority. During fiscal year 2016, the District did not make any payments to Miami Valley Career Technology Center. Financial information can be obtained from Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Englewood, Ohio 45315.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2016, the District paid \$14,090 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan - The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 2016, the District contributed \$6,814,685 to the Trust. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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, 2016 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 789,061
Nonmajor governmental	<u>232,025</u>
Total	<u>\$ 1,021,086</u>

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 7,351,880
Net adjustment for revenue accruals	(996,485)
Net adjustment for expenditure accruals	(373,153)
Net adjustment for other sources/uses	(156,942)
Funds budgeted elsewhere	(90,535)
Adjustment for encumbrances	1,207,387
GAAP basis	<u>\$ 6,942,152</u>

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

NOTE 19 - INTERFUND TRANSACTIONS

Interfund loans at June 30, 2016 as reported on the fund financial statements consist of \$353,792 due to the general fund from various nonmajor governmental funds. The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

Transfers to debt service fund from:

Nonmajor governmental funds	\$ 3,000,000
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Transfers to nonmajor governmental funds from:

Nonmajor governmental funds	5,940,707
Total	<u>\$ 8,940,707</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District closed out its classroom facilities fund and building fund in fiscal year 2016 and transferred the remaining money in these funds to the debt service fund and permanent improvement fund.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2015	2014
District's proportion of the net pension liability	0.22555390%	0.23711800%
District's proportionate share of the net pension liability	\$ 12,870,324	\$ 12,000,406
District's covered-employee payroll	\$ 6,791,495	\$ 6,929,278
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.51%	173.18%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%

Note: Information prior to fiscal year 2014 is not available

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2015	2014
District's proportion of the net pension liability	0.24272399%	0.25040112%
District's proportionate share of the net pension liability	\$ 67,081,811	\$ 60,906,219
District's covered-employee payroll	\$ 23,562,886	\$ 27,062,346
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	284.69%	225.06%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%

Note: Information prior to fiscal year 2014 is not available

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 905,173	\$ 895,119	\$ 960,398
Contributions in relation to the contractually required contribution	<u>(905,173)</u>	<u>(895,119)</u>	<u>(960,398)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,465,521	\$ 6,791,495	\$ 6,929,278
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%

Note: Information prior to fiscal year 2014 is not available

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,617,332	\$ 3,298,804	\$ 3,518,105
Contributions in relation to the contractually required contribution	<u>(3,617,332)</u>	<u>(3,298,804)</u>	<u>(3,518,105)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 25,838,086	\$ 23,562,886	\$ 27,062,346
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%

Note: Information prior to fiscal year 2014 is not available

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Total Federal Non-Cash Expenditures
U.S. Department of Agriculture				
<i>Passed through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$251,150	
National School Lunch Program	10.555	N/A	1,211,321	\$173,391
Special Milk Program for Children	10.556	N/A	5,101	
Summer Food Service Program for Children	10.559	N/A	3,152	
Total Child Nutrition Cluster			<u>1,470,724</u>	<u>173,391</u>
State Administrative Expenses for Child Nutrition	10.560	1512OH263N2533	531	
Total U.S. Department of Agriculture			<u>1,471,255</u>	<u>173,391</u>
U.S. Department of Education				
<i>Passed through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	S010A150035	1,285,398	
Special Education Cluster:				
Special Education_Grants to States	84.027	H027A150111	993,779	
Special Education_Preschool Grants	84.173	H173A150119	44,114	
Total Special Education Cluster			<u>1,037,893</u>	
English Language Acquisition State Grants	84.365	N/A	20,398	
Improving Teacher Quality State Grants	84.367	S367A150034	251,320	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	2,051	
Total U.S. Department of Education			<u>2,597,060</u>	
Total Expenditures of Federal Awards			<u>\$4,068,315</u>	<u>\$173,391</u>

The accompanying notes are an integral part of this schedule.

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Huber Heights City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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 D – FOOD DONATION PROGRAM

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



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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2017.

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 consider 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 the Huber Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Huber Heights City School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, the 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, 2016.

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 the federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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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 21, 2017