



Dave Yost • Auditor of State



**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY**

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HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Indian Hill Exempted Village School District  
Hamilton County  
6855 Drake Road  
Cincinnati, Ohio 45243

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District, Hamilton 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District, Hamilton County, Ohio, as of June 30, 2016, and the respective changes in financial position 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 schedule of net pension liabilities and pension contribution 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 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.

#### *Supplementary and Other Information*

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

The Schedule of Receipts and 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 relate 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 statement is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 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

March 16, 2017

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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

The discussion and analysis of the Indian Hill Exempted Village 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 2016 are as follows:

- In total, net position of governmental activities increased \$934,479, which represents an 10.95% increase from 2015.
- General revenues accounted for \$37,132,863 in revenue or 92.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,049,792 or 7.59% of total revenues of \$40,182,655.
- The District had \$39,248,176 in expenses related to governmental activities; only \$3,049,792 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$37,132,863 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$33,460,227 in revenues and \$33,704,282 in expenditures. During fiscal 2016, the general fund's fund balance decreased \$244,055 from a balance of \$27,929,691 to \$27,685,636.
- The District has \$45,767,055 in capital assets at June 30, 2016. This amount is net of accumulated depreciation in the amount of \$35,475,968. Fiscal year 2016 depreciation expense was \$2,052,252. Total net investment in capital assets was \$22,393,599 at June 30, 2016.
- The District has \$23,568,000 in general obligation bonds and lease purchase agreements outstanding at June 30, 2016. Of this total, \$2,768,000 is due within one year and \$20,800,000 is due in greater than one year.

**Using These Basic Financial Statements (BFS)**

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

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 that 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.

The statement of net position and the statement of activities, include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, food service operations and uniform school supplies activities.

The District's statement of net position and statement of activities can be found on pages 21-22 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 15. 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 only major governmental fund is the general fund. All other governmental funds are considered non-major.

***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 than 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 23-27 of this report.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

The District acts in a trustee capacity as an agent for students. These activities are reported in an agency fund. At June 30, 2016, the balances in the agency fund are reported in a separate statement of fiduciary net position on page 28. 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 29-66 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 67-73 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 55,848,333	\$ 61,287,910
Capital assets, net	<u>45,767,055</u>	<u>46,999,826</u>
Total assets	<u>101,615,388</u>	<u>108,287,736</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	631,120	786,256
Pension	<u>9,411,290</u>	<u>3,244,531</u>
Total deferred outflows of resources	<u>10,042,410</u>	<u>4,030,787</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,068,980	8,355,561
Long-term liabilities:		
Due within one year	2,883,635	2,941,657
Due in more than one year:		
Net pension liability	50,743,156	40,075,742
Other amounts	<u>22,578,561</u>	<u>25,221,308</u>
Total liabilities	<u>79,274,332</u>	<u>76,594,268</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for the next fiscal year	16,113,664	15,912,632
Payments in lieu of taxes for the next fiscal year	4,139,412	4,036,606
Pension	<u>2,660,901</u>	<u>7,240,007</u>
Total deferred inflows of resources	<u>22,913,977</u>	<u>27,189,245</u>
<b><u>Net Position</u></b>		
Net Investment in capital assets	22,393,599	22,455,157
Restricted	4,118,065	4,188,124
Unrestricted (deficit)	<u>(17,042,175)</u>	<u>(18,108,271)</u>
Total net position	<u>\$ 9,469,489</u>	<u>\$ 8,535,010</u>

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 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 \$9,469,489. Of this total \$4,118,065 is restricted in use resulting in a balance of unrestricted net position deficit of \$17,042,175.

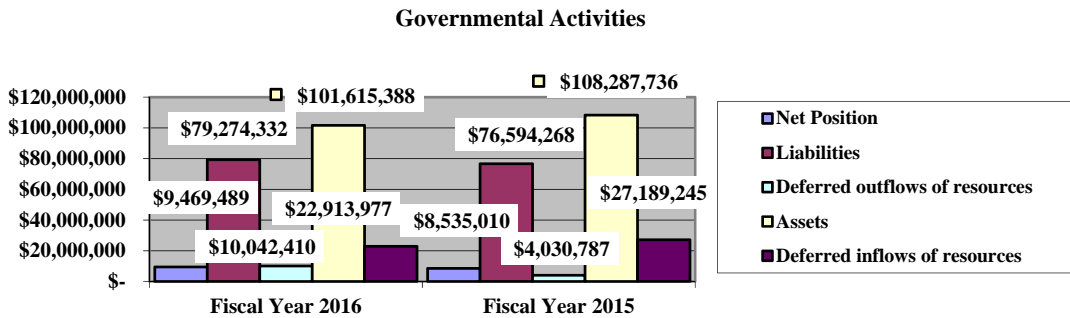
**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

At fiscal year-end, capital assets represented 45.04% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2016, was \$22,393,599. 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 assets, \$4,118,065, represents resources that are subject to external restriction on how they may be used. Of this total, \$3,449,011 is restricted for debt service.

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



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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

The table below shows the change in net position for fiscal years 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 870,717	\$ 690,338
Operating grants and contributions	2,179,075	2,158,921
General revenues:		
Property taxes	27,768,751	26,741,720
Payments in lieu of taxes	4,112,918	3,952,228
Grants and entitlements	4,832,830	4,952,715
Investment earnings	398,351	298,103
Miscellaneous	<u>20,013</u>	<u>24,335</u>
Total revenues	<u>40,182,655</u>	<u>38,818,360</u>

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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**Change in Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	15,459,837	14,890,245
Special	3,313,102	3,226,915
Vocational	13,049	13,800
Other	696,259	706,771
Support services:		
Pupil	2,805,670	2,738,484
Instructional staff	2,331,215	2,259,526
Board of education	31,942	21,944
Administration	3,062,454	2,804,591
Fiscal	841,838	770,417
Business	74,485	68,697
Operations and maintenance	3,825,730	3,644,417
Pupil transportation	2,126,255	2,096,383
Central	64,447	62,015
Operations of non-instructional services		
Other non-instructional services	1,330,083	1,232,631
Food service operations	845,020	702,860
Extracurricular activities	1,252,383	1,013,062
Interest and fiscal charges	<u>1,174,407</u>	<u>1,318,180</u>
Total expenses	<u>39,248,176</u>	<u>37,570,938</u>
Extraordinary item - litigation settlement	<u>-</u>	<u>5,500,000</u>
Total expenses and extraordinary item	<u>39,248,176</u>	<u>43,070,938</u>
Change in net position	934,479	(4,252,578)
Net position at beginning of year	<u>8,535,010</u>	<u>12,787,588</u>
Net position at end of year	<u>\$ 9,469,489</u>	<u>\$ 8,535,010</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$934,479. Total governmental expenses of \$39,248,176 were offset by program revenues of \$3,049,792 and general revenues of \$37,132,863. Program revenues supported 7.77% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and grants and entitlements. These revenue sources represent 91.37% of total governmental revenue.

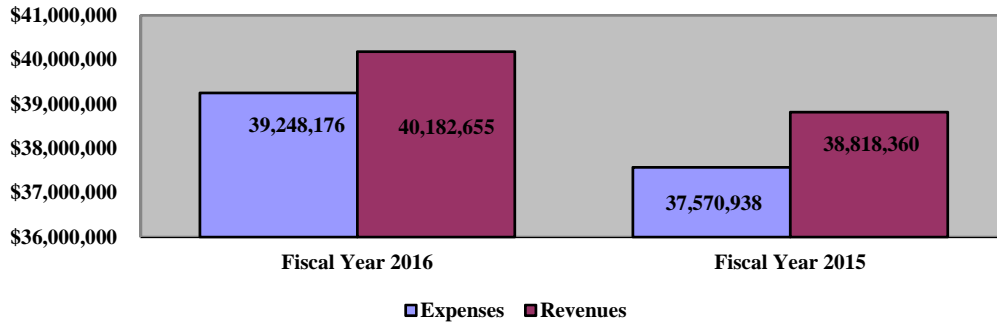


**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

The largest expense of the District is for instructional programs. Instruction expenses totaled \$19,482,247 or 49.64% of total governmental expenses for fiscal year 2016.

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



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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

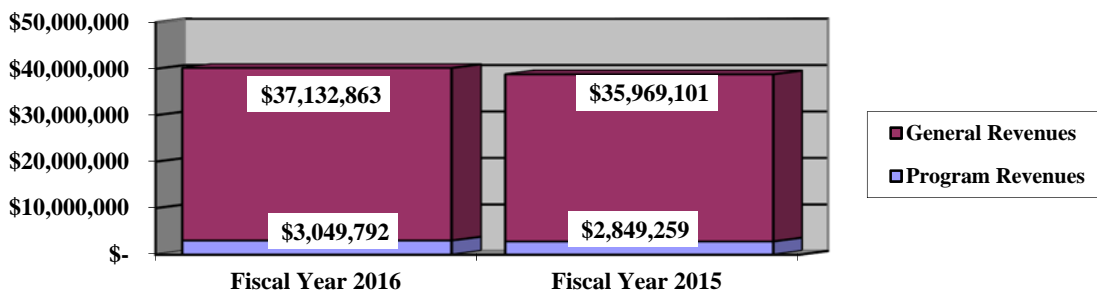
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	15,459,837	15,456,857	14,890,245	14,885,556
Special	3,313,102	2,860,043	3,226,915	2,778,075
Vocational	13,049	13,042	13,800	13,748
Other	696,259	493,790	706,771	489,923
Support services:				
Pupil	2,805,670	2,722,146	2,738,484	2,654,276
Instructional staff	2,331,215	2,268,786	2,259,526	2,203,820
Board of education	31,942	31,942	21,944	21,944
Administration	3,062,454	3,062,454	2,804,591	2,804,591
Fiscal	841,838	841,838	770,417	770,417
Business	74,485	74,485	68,697	68,697
Operations and maintenance	3,825,730	3,823,290	3,644,417	3,629,367
Pupil transportation	2,126,255	2,118,731	2,096,383	2,068,712
Central	64,447	64,447	62,015	62,015
Operations of non-instructional services				
Other non-instructional services	1,330,083	33,613	1,232,631	(6,323)
Food service operations	845,020	193,646	702,860	147,027
Extracurricular activities	1,252,383	964,867	1,013,062	811,654
Interest and fiscal charges	1,174,407	1,174,407	1,318,180	1,318,180
<b>Total expenses</b>	<b>\$ 39,248,176</b>	<b>\$ 36,198,384</b>	<b>\$ 37,570,938</b>	<b>\$ 34,721,679</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 96.62% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 92.23%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**Governmental Activities - General and Program Revenues**



**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 (as presented on the balance sheet on page 23) reported a combined fund balance of \$31,771,871, which is more than last year's total of \$32,096,889. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Change</u>
General	\$ 27,685,636	\$ 27,929,691	\$ (244,055)
Other Governmental	<u>4,086,235</u>	<u>4,167,198</u>	<u>(80,963)</u>
Total	<u>\$ 31,771,871</u>	<u>\$ 32,096,889</u>	<u>\$ (325,018)</u>

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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

***General Fund***

The District's general fund balance increased \$244,055 from June 30, 2015. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 24,413,836	\$ 23,520,016	\$ 893,820	3.80 %
Payments in lieu of taxes	4,112,901	3,855,519	257,382	6.68 %
Earnings on investments	407,631	331,781	75,850	22.86 %
Intergovernmental	4,485,710	4,553,817	(68,107)	(1.50) %
Other revenues	<u>40,149</u>	<u>57,308</u>	<u>(17,159)</u>	<u>(29.94) %</u>
Total	<u>\$ 33,460,227</u>	<u>\$ 32,318,441</u>	<u>\$ 1,141,786</u>	<u>3.53 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 17,864,626	\$ 17,808,766	\$ 55,860	0.31 %
Support services	14,147,952	13,326,871	821,081	6.16 %
Operation of non-instructional services	31,294	30,388	906	2.98 %
Extracurricular activities	930,749	753,977	176,772	23.45 %
Facilities acquisition and construction	638,015	5,239,176	(4,601,161)	(87.82) %
Debt service	<u>91,646</u>	<u>93,162</u>	<u>(1,516)</u>	<u>(1.63) %</u>
Total	<u>\$ 33,704,282</u>	<u>\$ 37,252,340</u>	<u>\$ (3,548,058)</u>	<u>(9.52) %</u>

Earnings on investment revenue increased due to increased return on the District's investments. The other revenues decreased due a decrease in rental income. Extracurricular expenses increased during fiscal year 2016 due to increased spending throughout the District. Facilities acquisition and construction decreased due to prior year construction within the District. All other revenues and expense remained comparable to prior years.

***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, final budgeted revenues and other financing sources were \$33,217,948, which was higher than the original budgeted revenues and other financing sources estimate of \$32,418,236. Actual revenues and other financing sources for fiscal 2016 were \$33,217,948.

General fund original and final appropriations (appropriated expenditures) were \$35,779,948. The actual budget basis expenditures for fiscal 2016 totaled \$34,684,645, which was \$1,095,303 less than the final budgeted appropriations.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**Capital Assets and Debt Administration**

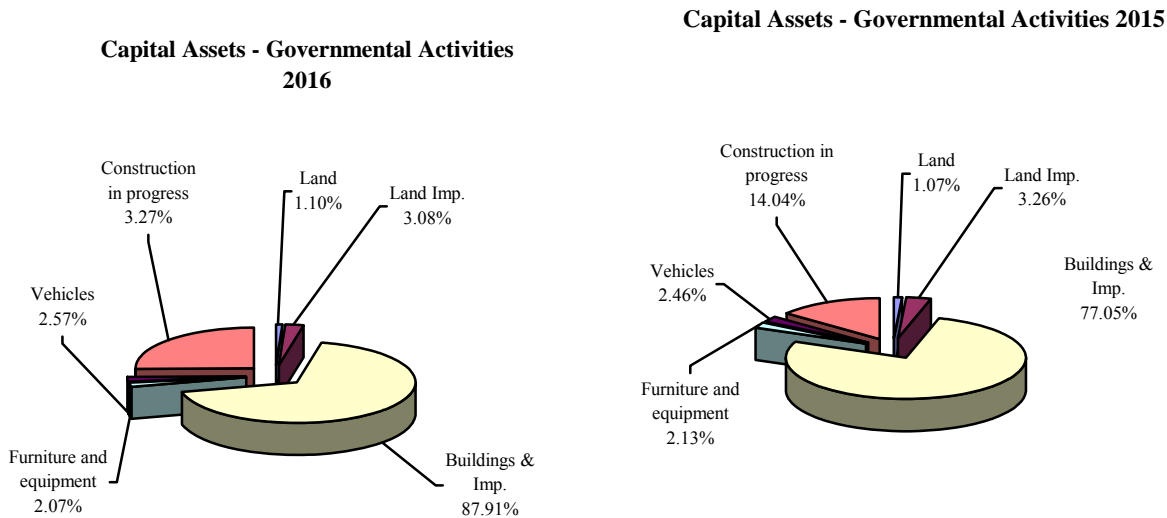
**Capital Assets**

At the end of fiscal 2016, the District had \$45,767,055 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2016 balances compared to the fiscal 2015 balances:

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

	Governmental Activities	
	2016	2015
Land	\$ 501,523	\$ 501,523
Construction in progress	1,497,885	6,596,868
Land improvements	1,409,634	1,534,166
Buildings and improvements	40,236,858	36,211,898
Furniture and equipment	946,895	999,065
Vehicles	1,174,260	1,156,306
<b>Total</b>	<b>\$ 45,767,055</b>	<b>\$ 46,999,826</b>

Total additions to capital assets for 2016 were \$819,481. The overall decrease in capital assets of \$1,232,771 is primarily due the total depreciation expense of \$2,052,252 exceeding additions. The graphs below present the District's capital assets for fiscal 2016 and fiscal 2015.



See Note 10 to the basic financial statements for additional information on the District's capital assets.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

***Debt Administration***

The District has \$23,568,000 in general obligation bonds and lease purchase agreements outstanding at June 30, 2016. Of this total, \$2,768,000 is due within one year and \$20,800,000 is due in greater than one year. The following table summarizes the bonds and lease-purchase agreements outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 23,550,000	\$ 26,151,475
Lease purchase agreement	<u>18,000</u>	<u>106,000</u>
Total	<u>\$ 23,568,000</u>	<u>\$ 26,257,475</u>

The District's debt activity is detailed in Note 11 to the basic financial statements.

**Current Financial Related Activities**

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the information in this report shows, the general fund cash balance was \$21,047,527 at June 30, 2016. Fiscal year-end general fund cash balances were \$26,959,126, \$32,400,755, \$30,686,459, \$29,255,088, \$28,057,017, \$25,039,122, \$21,615,045, \$19,966,629, \$16,762,806, and \$13,025,282 at June 30 in fiscal years 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006, respectively. Sound fiscal management by the Board of Education (the "Board") has enabled the District to maintain a healthy cash balance, allow a 5-year emergency levy to expire in 1998, obtain voter approval of a \$49.6 million bond issue in 2000, and continue a quality, comprehensive educational program.

The Board's five-year projections indicate that the District will remain financially stable through fiscal year 2021. With Board guidance, the recent fiscal budgets have been carefully managed in order to prolong the timing of any operating request. The Board's timing for requesting additional operating funds will be triggered when the cash reserves equal one-fourth of a year's expenditures.

In December 2009, the Board passed a resolution to designate 1.25 of its inside mills for permanent improvements. This designation generated approximately \$1.45 million for the District annually. (The District's property valuation has declined since this designation was first passed in 2009 when the millage was expected to generate an additional \$1.7 million for permanent improvements). The Ohio Supreme Court issued its Opinion in December 2014 that the conversion of 1.25 inside mills for permanent improvements resulted in additional revenue [from taxation] which was not "clearly required" and was thus, illegal. At fiscal year end, the District and the Plaintiffs have resolved on the repayment of the additional revenue derived from the inside millage conversion and the settlement agreement has been implemented.

In November 2000, the Board submitted, and the electors of the District approved, a 4.18-mill bond issue to generate \$49.6 million dollars to construct a new elementary, a new high school, and other District renovations to existing facilities. The interest income from the bond issue proceeds has been reserved to the general fund to offset operating deficits, fund capital projects not included in the bond issue, and provide for expenses inherent in operating larger facilities.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

Several important legislative and judicial actions have occurred that have had significant impact on the District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. The State's passage of HB 64 (June 2015) will provide slight increases in (State) funding for the District over the next two fiscal years.

The District experienced a 12% decline in its real estate property valuations beginning in (tax year) 2011 following the Hamilton County sexennial reappraisal (tax year) 2011. Property valuations have since stabilized or increased slightly. The next reappraisal will occur in 2017 (tax year), effective for collection in January 2018.

Federal legislation (Patient Protection and Affordable Care Act) will strain the District's finances in the form of increasing premiums as well as providing coverage for more employees. The District, however, continues to examine opportunities to contain the rising cost of insurance benefits, including joining a Consortium and implementing a self-funded health insurance program through the SWOOSH Consortium.

As the current economic climate lags, there is growing pressure on our efforts to provide a quality, comprehensive educational program for our students. In spite of this and other financial concerns, the Board is committed to balancing its operating budget.

Steady or slightly decreasing enrollment over the past several years is a trend that has received, and will continue to receive, the attention of the Board. Reduced student counts have resulted in staffing reductions in targeted areas. In the 2015-16 school year, the District experienced a growth of approximately 60 students. Other areas of the operations are regularly evaluated for best practices in terms of effectiveness, efficiency and cost containment.

The District has committed itself to educational and financial excellence for many years. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

Traditionally, our community has been supportive of school tax issues. We have had only two levy attempts fail in the last 30 years. In today's climate of no tax increases, passing an additional tax levy would be a challenge. The key will be informing our voters what needs exist. Since the DeRolph case declared the current state funding formula unconstitutional, the State has been directing additional revenue to low property wealth districts and not districts such as ours. The only way that districts such as ours can anticipate additional funding is through periodic reappraisals of real property or additional local property tax levies – an unlikely reality given today's economic picture.

At this time, the District is unable to determine what effect, if any, this (DeRolph) decision and the reconsideration will have on its future State funding and on its financial operations. The District has not anticipated a significant change in State Foundation revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With approximately 20 percent of taxes paid for the District coming from business or industry, this could have a significant impact on the District's residential taxpayers.

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. Overall, the District continues to perform among the highest levels determined by the State of Ohio – garnering an overall "A" on the State Report Card. Our most recent State Report Card (2014-2015 year) shows the District's students achieving 31 out of 32 indicators, meeting Value Added and Adequate Yearly Progress benchmarks, and attaining one of the highest Performance Indexes (108.0) recorded in the State.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**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 Mr. Michael W. Davis, Treasurer, Indian Hill Exempted Village School District, 6855 Drake Road, Cincinnati, Ohio 45243.



**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 23,859,636
Receivables:	
Property taxes . . . . .	27,733,769
Payment in lieu of taxes . . . . .	4,139,412
Accrued interest . . . . .	64,528
Intergovernmental . . . . .	50,988
Capital assets:	
Nondepreciable capital assets . . . . .	1,999,408
Depreciable capital assets, net . . . . .	43,767,647
Capital assets, net . . . . .	<u>45,767,055</u>
Total assets . . . . .	<u>101,615,388</u>
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	631,120
Pension - STRS . . . . .	8,360,469
Pension - SERS . . . . .	1,050,821
Total deferred outflows of resources . . . . .	<u>10,042,410</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	402,598
Accrued wages and benefits payable . . . . .	2,173,883
Pension obligation payable . . . . .	311,262
Intergovernmental payable . . . . .	69,472
Accrued interest payable . . . . .	83,273
Matured bonds payable . . . . .	28,492
Long-term liabilities:	
Due within one year . . . . .	2,883,635
Due in more than one year:	
Net pension liability (See Note 13) . . . . .	50,743,156
Other amounts due in more than one year . . . . .	22,578,561
Total liabilities . . . . .	<u>79,274,332</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	16,113,664
Payment in lieu of taxes levied for the next fiscal year . . . . .	4,139,412
Pension - STRS . . . . .	2,401,151
Pension - SERS . . . . .	259,750
Total deferred inflows of resources . . . . .	<u>22,913,977</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	22,393,599
Restricted for:	
Debt service . . . . .	3,449,011
Federally funded programs . . . . .	33,789
State funded programs . . . . .	192,251
Student activities . . . . .	184,964
Food service operations . . . . .	258,050
Unrestricted (deficit) . . . . .	(17,042,175)
Total net position . . . . .	<u>\$ 9,469,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
Expenses		Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 15,459,837	\$ -	\$ 2,980	\$	(15,456,857)
Special . . . . .	3,313,102	10,000	443,059		(2,860,043)
Vocational . . . . .	13,049	-	7		(13,042)
Other . . . . .	696,259	-	202,469		(493,790)
Support services:					
Pupil . . . . .	2,805,670	-	83,524		(2,722,146)
Instructional staff . . . . .	2,331,215	-	62,429		(2,268,786)
Board of education . . . . .	31,942	-	-		(31,942)
Administration . . . . .	3,062,454	-	-		(3,062,454)
Fiscal . . . . .	841,838	-	-		(841,838)
Business . . . . .	74,485	-	-		(74,485)
Operations and maintenance . . . . .	3,825,730	2,440	-		(3,823,290)
Pupil transportation . . . . .	2,126,255	-	7,524		(2,118,731)
Central . . . . .	64,447	-	-		(64,447)
Operation of non-instructional services:					
Other non-instructional services . . . . .	1,330,083	-	1,296,470		(33,613)
Food service operations . . . . .	845,020	572,961	78,413		(193,646)
Extracurricular activities . . . . .	1,252,383	285,316	2,200		(964,867)
Interest and fiscal charges . . . . .	1,174,407	-	-		(1,174,407)
Total governmental activities . . . . .	\$ 39,248,176	\$ 870,717	\$ 2,179,075		(36,198,384)
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					24,353,595
Debt service . . . . .					3,415,156
Payments in lieu of taxes . . . . .					4,112,918
Grants and entitlements not restricted to specific programs . . . . .					4,832,830
Investment earnings . . . . .					398,351
Miscellaneous . . . . .					20,013
Total general revenues . . . . .					37,132,863
Change in net position . . . . .					934,479
<b>Net position at beginning of year . . . . .</b>					<b>8,535,010</b>
<b>Net position at end of year . . . . .</b>					<b>\$ 9,469,489</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 21,029,775	\$ 2,829,861	\$ 23,859,636
Receivables:			
Property taxes . . . . .	24,277,550	3,456,219	27,733,769
Payment in lieu of taxes . . . . .	4,139,412	-	4,139,412
Accrued interest . . . . .	64,528	-	64,528
Intergovernmental . . . . .	-	50,988	50,988
Total assets . . . . .	<u>\$ 49,511,265</u>	<u>\$ 6,337,068</u>	<u>\$ 55,848,333</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 363,626	\$ 38,972	\$ 402,598
Accrued wages and benefits payable . . . . .	2,147,737	26,146	2,173,883
Compensated absences payable . . . . .	8,973	-	8,973
Pension obligation payable . . . . .	307,256	4,006	311,262
Intergovernmental payable . . . . .	64,092	5,380	69,472
Matured bonds payable . . . . .	28,492	-	28,492
Total liabilities . . . . .	<u>2,920,176</u>	<u>74,504</u>	<u>2,994,680</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	14,074,297	2,039,367	16,113,664
Delinquent property tax revenue not available . . . . .	640,120	85,974	726,094
Accrued interest not available . . . . .	51,624	-	51,624
Unavailable grant revenue . . . . .	-	50,988	50,988
Payment in lieu of taxes levied for the next fiscal year . . . . .	4,139,412	-	4,139,412
Total deferred inflows of resources . . . . .	<u>18,905,453</u>	<u>2,176,329</u>	<u>21,081,782</u>
<b>Fund balances:</b>			
Restricted:			
Debt service . . . . .	-	3,446,310	3,446,310
Food service operations . . . . .	-	258,050	258,050
Non-public schools . . . . .	-	192,251	192,251
Targeted academic assistance . . . . .	-	5,476	5,476
Extracurricular . . . . .	-	184,964	184,964
Committed:			
Student and staff support . . . . .	178,166	-	178,166
Facilities acquisition and construction . . . . .	139,383	-	139,383
Assigned:			
Student instruction . . . . .	64,014	-	64,014
Student and staff support . . . . .	319,171	-	319,171
Extracurricular activities . . . . .	225,941	-	225,941
Facilities acquisition and construction . . . . .	38,598	-	38,598
Subsequent year's appropriations . . . . .	2,041,569	-	2,041,569
Other purposes . . . . .	9,849	-	9,849
Unassigned (deficit) . . . . .	24,668,945	(816)	24,668,129
Total fund balances . . . . .	<u>27,685,636</u>	<u>4,086,235</u>	<u>31,771,871</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 49,511,265</u>	<u>\$ 6,337,068</u>	<u>\$ 55,848,333</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

<b>Total governmental fund balances</b>		\$	31,771,871
<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.			45,767,055
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	726,094	
Accrued interest receivable		51,624	
Intergovernmental receivable		50,988	
Total		828,706	828,706
Unamortized premiums on bonds issued are not recognized in the funds.			(436,576)
Unamortized amounts on refundings are not recognized in the funds.			631,120
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(83,273)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		9,411,290	
Deferred inflows of resources - pension		(2,660,901)	
Net pension liability		(50,743,156)	
Total		(43,992,767)	(43,992,767)
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		(23,550,000)	
Lease-purchase agreements		(18,000)	
Compensated absences		(1,448,647)	
Total		(25,016,647)	(25,016,647)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>9,469,489</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 24,413,836	\$ 3,415,182	\$ 27,829,018
Payment in lieu of taxes . . . . .	4,112,901	17	4,112,918
Tuition . . . . .	10,000	-	10,000
Earnings on investments . . . . .	407,631	2,191	409,822
Charges for services . . . . .	-	572,961	572,961
Extracurricular . . . . .	7,696	277,620	285,316
Rental income . . . . .	2,440	-	2,440
Contributions and donations . . . . .	1,570	2,200	3,770
Other local revenues . . . . .	18,443	-	18,443
Intergovernmental - state . . . . .	4,485,710	1,640,200	6,125,910
Intergovernmental - federal . . . . .	-	863,346	863,346
Total revenues . . . . .	<u>33,460,227</u>	<u>6,773,717</u>	<u>40,233,944</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	14,421,645	2,655	14,424,300
Special . . . . .	2,929,007	371,856	3,300,863
Other . . . . .	513,974	184,617	698,591
Support services:			
Pupil . . . . .	2,657,656	80,205	2,737,861
Instructional staff . . . . .	2,101,217	112,233	2,213,450
Board of education . . . . .	31,942	-	31,942
Administration . . . . .	2,995,188	38,972	3,034,160
Fiscal . . . . .	765,149	44,490	809,639
Business . . . . .	74,485	-	74,485
Operations and maintenance . . . . .	3,544,233	36,208	3,580,441
Pupil transportation . . . . .	1,913,432	321	1,913,753
Central . . . . .	64,650	-	64,650
Operation of non-instructional services:			
Other operation of non-instructional . . . . .	31,294	1,289,363	1,320,657
Food service operations . . . . .	-	683,678	683,678
Extracurricular activities . . . . .	930,749	255,226	1,185,975
Facilities acquisition and construction . . . . .	638,015	-	638,015
Debt service:			
Principal retirement . . . . .	88,000	2,695,000	2,783,000
Interest and fiscal charges . . . . .	3,646	1,059,856	1,063,502
Total expenditures . . . . .	<u>33,704,282</u>	<u>6,854,680</u>	<u>40,558,962</u>
Net change in fund balances . . . . .	(244,055)	(80,963)	(325,018)
<b>Fund balances at beginning of year . . . . .</b>	<u>27,929,691</u>	<u>4,167,198</u>	<u>32,096,889</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 27,685,636</u>	<u>\$ 4,086,235</u>	<u>\$ 31,771,871</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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** \$ (325,018)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 819,481	
Current year depreciation	(2,052,252)	
<b>Total</b>		<b>(1,232,771)</b>

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

Property taxes	(60,267)	
Earnings on investments	(9,280)	
Intergovernmental	18,258	
<b>Total</b>		<b>(51,289)</b>

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. Principal payments during the year were:

Bonds	2,695,000	
Lease-purchase obligations	88,000	
<b>Total</b>		<b>2,783,000</b>

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 additional interest being reported in the statement of activities:

Decrease in accrued interest payable	5,240	
Accreted interest on capital appreciation bonds	(93,525)	
Amortization of bond premiums	132,516	
Amortization of deferred charges	(155,136)	
<b>Total</b>		<b>(110,905)</b>

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 2,820,395

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,741,944)

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. (206,989)

**Change in net position of governmental activities** \$ 934,479

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 23,743,439	\$ 24,329,836	\$ 24,329,836	\$ -
Tuition . . . . .	6,929	7,100	7,100	-
Earnings on investments . . . . .	218,294	223,685	223,685	-
Rental income . . . . .	2,381	2,440	2,440	-
Other local revenues . . . . .	18,298	18,749	18,749	-
Intergovernmental - intermediate . . . . .	4,013,772	4,112,901	4,112,901	-
Intergovernmental - state . . . . .	4,377,596	4,485,710	4,485,710	-
Total revenues . . . . .	<u>32,380,709</u>	<u>33,180,421</u>	<u>33,180,421</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	14,852,715	14,846,233	14,516,730	329,503
Special . . . . .	3,138,535	3,138,646	2,927,545	211,101
Vocational . . . . .	375	375	-	375
Other . . . . .	477,833	477,701	519,262	(41,561)
Support services:				
Pupil . . . . .	3,013,089	3,012,603	2,756,449	256,154
Instructional staff . . . . .	2,154,352	2,159,646	2,149,333	10,313
Board of education . . . . .	22,178	22,172	31,967	(9,795)
Administration . . . . .	2,970,442	2,960,058	2,913,514	46,544
Fiscal . . . . .	796,596	803,205	759,704	43,501
Business . . . . .	69,403	69,384	74,485	(5,101)
Operations and maintenance . . . . .	3,727,963	3,726,933	3,665,152	61,781
Pupil transportation . . . . .	2,049,376	2,048,576	2,197,751	(149,175)
Central . . . . .	56,762	56,746	64,808	(8,062)
Other operation of non-instructional services . . . . .	34,383	34,374	32,057	2,317
Extracurricular activities . . . . .	963,315	971,066	1,091,586	(120,520)
Facilities acquisition and construction . . . . .	1,452,631	1,452,230	984,302	467,928
Total expenditures . . . . .	<u>35,779,948</u>	<u>35,779,948</u>	<u>34,684,645</u>	<u>1,095,303</u>
Excess of expenditures over revenues . . . . .	<u>(3,399,239)</u>	<u>(2,599,527)</u>	<u>(1,504,224)</u>	<u>1,095,303</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	32,826	32,826	32,826	-
Refund of prior year's receipts . . . . .	(3,600,000)	(5,500,000)	(5,500,000)	-
Sale of capital assets . . . . .	4,701	4,701	4,701	-
Total other financing sources . . . . .	<u>(3,562,473)</u>	<u>(5,462,473)</u>	<u>(5,462,473)</u>	<u>-</u>
Net change in fund balance . . . . .	(6,961,712)	(8,062,000)	(6,966,697)	1,095,303
<b>Fund balance at beginning of year . . . . .</b>	<b>25,922,731</b>	<b>25,922,731</b>	<b>25,922,731</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,036,395</b>	<b>1,036,395</b>	<b>1,036,395</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 19,997,414</u></b>	<b><u>\$ 18,897,126</u></b>	<b><u>\$ 19,992,429</u></b>	<b><u>\$ 1,095,303</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 49,387
Total assets . . . . .	\$ 49,387
<b>Liabilities:</b>	
Due to students . . . . .	\$ 35,387
Due to others . . . . .	14,000
Total liabilities . . . . .	\$ 49,387

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Indian Hill Exempted Village School District (the “District”) is located in Hamilton County, including all of the Village of Indian Hill, Ohio, and portions of surrounding townships. The District serves an area of approximately 23 square miles.

The District was established in 1936 through the consolidation of existing land areas and school districts. The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District was originally chartered by the Ohio State Legislature. In 1853, State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.09 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board controls the District’s instructional and support facilities staffed by 188 certified teaching and administrative personnel and 100 classified personnel to provide services to 1,942 students and other community members, which ranks it 256 out of 1,014 public school districts and community schools in the State of Ohio.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

*JOINTLY GOVERNED ORGANIZATION*

Hamilton/Clermont Cooperative Association

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium. HCCA is an association of 31 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The Governing Board of HCCA consists of the superintendents and/or treasurers of the participating districts. HCCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCCA Board of Education, Tom Collins, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

*PUBLIC ENTITY RISK POOL*

Southwest Ohio Organization of School Health

In prior fiscal years the District joined together with Lebanon City School District, Milford Exempted Village School District, Northwest Local School District, Southwest Local School District, Winton Woods City School District and Forest Hills Local School District and West Clermont Local School District (collectively, the "Members") to establish a regional council of governments, organized under Chapter 167 of the Ohio Revised Code, known as the Southwest Ohio Organization of School Health (SWOOSH). The purpose of the SWOOSH is to maximize benefits and/or reduce costs of medical, prescription drugs, vision, dental, life and/or other group insurance coverage for the Members' employees and the eligible dependents and designated beneficiaries of such employees.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 SWOOSH is governed by a Board of Directors (Board). Each Member is represented on the Board by its superintendent or his/her designee. In addition, any Member that exceeds five hundred total employees enrolled in a policy shall appoint a second representative to the Board. No Member may have more than two voting representatives. The fiscal agent for SWOOSH is the Hamilton County Educational Service Center (HCESC). Beginning July 1, 2016 the Treasurer of the Milford Exempted Village School District serves as the Treasurer of SWOOSH. The Board approves all benefit programs to be offered by or through the SWOOSH and all policies and contracts to be accepted or entered into by the SWOOSH. The Board also sets or determines all premium and other amounts to be paid by Members. The Board also has the authority to waive premiums and other payments.

Members assume no liability beyond the payment of any dues, fees, or cooperative costs assessed by the SWOOSH and any contractual obligations for agreements entered into between the Member and the SWOOSH. Members do not assume liability for the debts of the SWOOSH and any Member withdrawing from the SWOOSH forfeits any claim to the cooperative's assets. No Member may withdraw during the first two years after joining the SWOOSH. After the first two years of membership, a Member may withdraw at the end of any fiscal year by providing written notice of its intent to withdraw to the Board by March 1 of such fiscal year. Upon withdrawal from the SWOOSH, a school district may not become a Member again for two years and until it has fully complied with the criteria and procedures for membership established by the Board. Financial information for the SWOOSH can be obtained from Debbie Caudle, Treasurer of the Milford Exempted Village School District at 777 Garfield Avenue, Milford, OH 45150.

In January 2016, SWOOSH offered health insurance through Anthem Blue Cross Blue Shield on a self-insured basis. Each SWOOSH member district retains its own plan, but the self-funding is an aggregate of the estimated claims and reserve build. All other insurance benefit offerings remain on a fully insured basis.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

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, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund account for student activities.

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Agency funds also use the accrual basis of accounting.

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange 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 (See Note 5). 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

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 13 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.

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, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2016 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.

See Note 13 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.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

**E. Budgets**

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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Hamilton County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2016, investments were limited to Federal National Mortgage Association (FNMA) notes, Federal Home Loan Mortgage Corporation (FHLMC) notes, U.S. Government money market mutual funds, U.S. Treasury bonds and notes and investment in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in 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 shares price which is the price the investment could be sold for on June 30, 2016.

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 \$407,631, which includes \$42,095 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.



**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food. At June 30, 2016 the District had no material consumable inventory.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500 for its general capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 - 30 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees over the age of fifty with at least ten years of service or any age with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position. At June 30, 2016, there were no interfund balances.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds and lease-purchase agreements are recognized as a liability on the fund financial statements when due.

**L. Unamortized Bond Premiums and Discounts/Accounting Gain or Loss**

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11A.

**M. Fund Balance**

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

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

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

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

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

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

The District had no prepaid assets at June 30, 2016.

**P. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**Q. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2016, the balance in the budget stabilization reserve was \$97,976. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**R. 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 basic financial statements. During fiscal year 2016, the District had no transfers.

Interfund activity between governmental funds is eliminated in the statement of activities.

**S. 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.

**T. Parochial Schools**

Within the District boundaries, All Saints, St. Vincent Ferrer, Springs East Montessori, Cincinnati Country Day, and Yavneh Day schools operate as parochial schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the school. The receipt and expenditure of these State monies by the District are reflected in a nonmajor governmental fund for financial reporting purposes because the District has administrative involvement in the disbursement of the monies.

**U. 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. Neither type of transaction occurred during fiscal year 2016.

**V. 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.

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

**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*".

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 deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
IDEA Part-B	\$ 816

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 or 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.

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

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. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$5,172,019. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$500,000 of the District's bank balance of \$5,369,282 was covered by the Federal Deposit Insurance Corporation, while \$4,869,282 was exposed to custodial risk as discussed below.

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 Ohio Revised Code, is held in a 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.



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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

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

<u>Investment</u>	<u>Fair Market 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>
FNMA	\$ 8,114,354	\$ 607,050	\$ 1,680,126	\$ 1,354,173	\$ 501,980	\$ 3,971,025
FHLMC	4,005,631	579,525	862,204	619,950	570,711	1,373,241
U.S. Treasury bonds and notes	5,684,235	375,383	1,157,691	100,082	-	4,051,079
U.S. Government money market mutual funds	216,239	216,239	-	-	-	-
STAR Ohio	<u>716,545</u>	<u>716,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,737,004</u>	<u>\$ 2,494,742</u>	<u>\$ 3,700,021</u>	<u>\$ 2,074,205</u>	<u>\$ 1,072,691</u>	<u>\$ 9,395,345</u>

The weighted average maturity of investments is 2.34 years.

The District's investments in federal agency securities, bonds and U.S. Treasury notes 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:* The federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S government money market mutual fund an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*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 federal agency securities and the U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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.

The following table includes the percentage of each investment type held at June 30, 2016:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 8,114,354	43.31
FHLMC	4,005,631	21.38
U.S. Treasury bonds and notes	5,684,235	30.34
U.S. Government money market mutual funds	216,239	1.15
STAR Ohio	716,545	3.82
Total	<u>\$ 18,737,004</u>	<u>100.00</u>

**C. 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 disclosure above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 5,172,019
Investments	<u>18,737,004</u>
Total	<u>\$ 23,909,023</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,859,636
Agency fund	<u>49,387</u>
Total	<u>\$ 23,909,023</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.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

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 Hamilton 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 \$9,563,133 in the general fund and \$1,330,878 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$9,479,133 in the general fund and \$1,292,878 in the bond retirement fund (a nonmajor governmental 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.

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 of resources.

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 of resources.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

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	\$ 1,182,153,470	98.96	\$ 1,191,597,700	98.95
Public utility personal	<u>12,408,780</u>	<u>1.04</u>	<u>12,640,540</u>	<u>1.05</u>
Total	<u>\$ 1,194,562,250</u>	<u>100.00</u>	<u>\$ 1,204,238,240</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$41.76		\$42.92	
Bond retirement	3.14		3.14	

**NOTE 6 - PAYMENT IN LIEU OF TAXES**

According to State law, Sycamore Township (the "Township") has entered into agreements with a number of property owners under which the Township has granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the Township to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The District received \$4,112,918 in payments in lieu of taxes during fiscal year 2016.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, payments in lieu of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 27,733,769
Payments in lieu of taxes	4,139,412
Accrued interest	64,528
Intergovernmental	<u>50,988</u>
Total	<u>\$ 31,988,697</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - OTHER 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 in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End</u>
General fund	\$ 910,663
Other governmental	<u>70,544</u>
Total	<u>\$ 981,207</u>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 9 - LEASE-PURCHASE AGREEMENTS**

During prior fiscal years, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority through the Ohio Association of School Business Officials (OASBO) Expanded Asset Pool totaling \$2,913,000 in order to finance the acquisition of school buses, computers, laptops and tablets. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District.

Lease-purchase payments are reported as function expenditures on a budgetary basis. However, on a GAAP basis, these payments have been reclassified and are reported as debt service expenditures in the general fund. During fiscal year 2016, the District made principal and interest payments of \$88,000 and \$3,646, respectively, on the lease-purchase agreements.

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net position. Capital assets consisting of vehicles and equipment have been capitalized to the extent the capital assets acquired exceeded the District's capitalization threshold. At June 30, 2016, capital assets in the amount of \$2,584,364 have been capitalized.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 18,760
Total minimum lease payments	18,760
Less: amount representing interest	<u>(760)</u>
Total	<u>\$ 18,000</u>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - CAPITAL ASSETS**

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

<b><u>Governmental activities:</u></b>	Balance <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 501,523	\$ -	\$ -	\$ 501,523
Construction in progress	6,596,868	392,132	(5,491,115)	1,497,885
<i>Total capital assets, not being depreciated</i>	<u>7,098,391</u>	<u>392,132</u>	<u>(5,491,115)</u>	<u>1,999,408</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,404,634	-	-	3,404,634
Buildings and improvements	59,353,825	5,491,115	-	64,844,940
Equipment and furniture	7,973,062	248,183	(7,699)	8,213,546
Vehicles	2,714,692	179,166	(113,363)	2,780,495
<i>Total capital assets, being depreciated</i>	<u>73,446,213</u>	<u>5,918,464</u>	<u>(121,062)</u>	<u>79,243,615</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,870,468)	(124,532)	-	(1,995,000)
Buildings and improvements	(23,141,927)	(1,466,155)	-	(24,608,082)
Equipment and furniture	(6,973,997)	(300,353)	7,699	(7,266,651)
Vehicles	(1,558,386)	(161,212)	113,363	(1,606,235)
<i>Total accumulated depreciation</i>	<u>(33,544,778)</u>	<u>(2,052,252)</u>	<u>121,062</u>	<u>(35,475,968)</u>
Total capital assets, net	<u>\$ 46,999,826</u>	<u>\$ 4,258,344</u>	<u>\$ (5,491,115)</u>	<u>\$ 45,767,055</u>

Depreciation expense was charged to governmental functions as follows:

**Instruction:**

Regular	\$ 969,745
Special	66,068
Vocational	13,049

**Support services:**

Pupil	34,881
Instructional staff	184,123
Administration	39,949
Fiscal	681
Operations and maintenance	96,915
Pupil transportation	356,634
Operation of non-instructional services	22,708
Extracurricular activities	106,157
Food service operations	<u>161,342</u>
Total depreciation expense	<u>\$ 2,052,252</u>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2016, the following activity occurred in the governmental activities long-term obligations.

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General Obligation Bonds:</u>					
Current interest bonds-series 2005	\$ 8,415,000	\$ -	\$ -	\$ 8,415,000	\$ 2,630,000
Capital appreciation bonds-series 2005	1,200,000	-	(1,200,000)	-	-
Accreted interest-series 2005	1,286,475	93,525	(1,380,000)	-	-
Current interest bonds-series 2006	<u>15,250,000</u>	<u>-</u>	<u>(115,000)</u>	<u>15,135,000</u>	<u>120,000</u>
Total general obligation bonds	<u>26,151,475</u>	<u>93,525</u>	<u>(2,695,000)</u>	<u>23,550,000</u>	<u>2,750,000</u>
<u>Other Long-Term Obligations:</u>					
Lease-purchase agreement	106,000	-	(88,000)	18,000	18,000
Net pension liability	40,075,742	10,667,414	-	50,743,156	-
Compensated absences	<u>1,336,398</u>	<u>552,193</u>	<u>(430,971)</u>	<u>1,457,620</u>	<u>115,635</u>
Total other long-term obligations	<u>41,518,140</u>	<u>11,219,607</u>	<u>(518,971)</u>	<u>52,218,776</u>	<u>133,635</u>
Total governmental activities	<u>\$ 67,669,615</u>	<u>\$ 11,313,132</u>	<u>\$ (3,213,971)</u>	<u>75,768,776</u>	<u>\$ 2,883,635</u>
Add: Unamortized premium on bonds				<u>436,576</u>	
Total on statement of net position				<u>\$ 76,205,352</u>	

The lease purchase agreement is paid out of the general fund. Compensated absences will be paid out of the fund from which the employee is paid, primarily the general fund.

Net pension liability information can be found in Note 13.

All bonds are general obligations of the District, for which its full faith and credit is pledged for repayment.

**B. Series 2005 General Obligation Refunding Bonds**

On July 19, 2005, the District issued Series 2005 general obligation refunding bonds in order to advance refund a callable portion of the Series 2001 general obligation school facilities improvement bonds. Payments of principal and interest relating to these bonds are recorded as expenditures of the bond retirement fund (a nonmajor governmental fund).

The bonds which have been advance refunded were originally scheduled to mature on and from December 1, 2014 through and including December 1, 2018. Proceeds of the issuance 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, the balance of the refunded bonds was \$8,415,000.



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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The refunding issue is comprised of both current interest bonds, par value \$12,020,000, and capital appreciation bonds, par value \$1,200,000. The interest rates on the current interest bonds range from 3.00% to 5.00%. The capital appreciation bonds matured on December 1, 2015 (effective interest rate of 7.5219%) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date.

Neither the current interest bonds nor the capital appreciation bonds are subject to early redemption.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity of the current interest bonds is December 1, 2018.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,222,050. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Principal and interest requirements to retire the Series 2005 general obligation refunding bonds outstanding at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Current Interest Bonds - Series 2005</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,630,000	\$ 345,138	\$ 2,975,138
2018	2,795,000	219,375	3,014,375
2019	<u>2,990,000</u>	<u>74,750</u>	<u>3,064,750</u>
Total	<u>\$ 8,415,000</u>	<u>\$ 639,263</u>	<u>\$ 9,054,263</u>

**C. Series 2006 General Obligation Refunding Bonds**

On December 13, 2006, the District issued Series 2006 general obligation refunding bonds in order to advance refund the remaining callable portion of the Series 2001 general obligation school facilities improvement bonds. Payments of principal and interest relating to these bonds are recorded as expenditures of the bond retirement fund (a nonmajor governmental fund).

The bonds which have been advance refunded were originally scheduled to mature on December 1, 2012, December 1, 2013, and on and from December 1, 2019 through and including December 1, 2023. Proceeds of the issuance 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, the balance of the refunded bonds was \$15,135,000.

The refunding issue is comprised of current interest bonds, par value \$20,400,000. The interest rates on the current interest bonds range from 4.00% to 4.75%.

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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The current interest bonds are not subject to early redemption.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity of the current interest bonds is December 1, 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,024,824. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Principal and interest requirements to retire the Series 2006 general obligation refunding bonds outstanding at June 30, 2016 are as follows:

Fiscal Year	Current Interest Bonds - Series 2006		
	Principal	Interest	Total
2017	\$ 120,000	\$ 654,131	\$ 774,131
2018	125,000	649,231	774,231
2019	130,000	644,131	774,131
2020	3,375,000	569,812	3,944,812
2021	3,580,000	419,781	3,999,781
2022 - 2023	<u>7,805,000</u>	<u>346,391</u>	<u>8,151,391</u>
Total	<u>\$ 15,135,000</u>	<u>\$ 3,283,477</u>	<u>\$ 18,418,477</u>

**D. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2016 are a legal voted debt margin of \$88,277,752 (including available funds of \$3,446,310) and a legal unvoted debt margin of \$1,204,238.

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**NOTE 12 - 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. During the fiscal year, the District contracted with Ohio Casualty Insurance Company for general liability insurance with a \$1,000,000 single occurrence and a \$2,000,000 aggregate. Property insurance carries a \$2,500 deductible.

The bus fleet and maintenance vehicles are insured by Ohio Casualty Insurance Company with a \$2,500 deductible and \$1,000,000 limit per occurrence.

The District provides life and dental insurance to eligible employees through VOYA Life Insurance and Dental Care Plus, respectively.

Effective January 1, 2012, the District joined the Southwest Ohio Organization of School Health (SWOOSH), a public entity risk pool, to provide medical, prescription drugs, vision, dental, life and/or other group insurance (see Note 2.A for detail). Each member district retains its own plan, but the overall health insurance plan is self-funded. All other insurance benefit offerings remain on a fully insured basis.

Post-retirement health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**NOTE 13 - 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.

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

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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 \$666,491 for fiscal year 2016. Of this amount, \$11,098 is reported as pension obligation payable.

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

***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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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.

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

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 \$2,153,904 for fiscal year 2016. Of this amount, \$220,795 is reported as pension obligation payable.

***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	\$ 9,008,495	\$ 41,734,661	\$ 50,743,156
Proportion of the net pension liability	0.157874900%	0.151009690%	
Pension expense	\$ 649,424	\$ 2,092,520	\$ 2,741,944

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>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 143,194	\$ 1,871,332	\$ 2,014,526
Changes in proportionate share	241,136	4,335,233	4,576,369
District contributions subsequent to the measurement date	<u>666,491</u>	<u>2,153,904</u>	<u>2,820,395</u>
Total deferred outflows of resources	<u>\$ 1,050,821</u>	<u>\$ 8,360,469</u>	<u>\$ 9,411,290</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 259,750</u>	<u>\$ 2,401,151</u>	<u>\$ 2,660,901</u>
Total deferred inflows of resources	<u>\$ 259,750</u>	<u>\$ 2,401,151</u>	<u>\$ 2,660,901</u>

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

\$2,820,395 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (19,292)	\$ 596,172	\$ 576,880
2018	(19,292)	596,172	576,880
2019	(19,293)	596,171	576,878
2020	182,457	2,016,899	2,199,356
Total	<u>\$ 124,580</u>	<u>\$ 3,805,414</u>	<u>\$ 3,929,994</u>

***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

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

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

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

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

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

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

**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.

**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.



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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 12,491,545	\$ 9,008,495	\$ 6,075,479

***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:

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

**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.

**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	\$ 57,972,593	\$ 41,734,661	\$ 28,003,069

**NOTE 14 - 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](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 \$76,118.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$76,118, \$90,374, and \$97,330, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board 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 \$139,230, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 15 - 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);

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ (6,966,697)
Net adjustment for revenue accruals	270,540
Net adjustment for expenditure accruals	(65,731)
Net adjustment for other sources/uses	5,462,473
Funds budgeted elsewhere	262
Adjustment for encumbrances	1,055,098
GAAP basis	\$ (244,055)

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 special trust fund and the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

Ohio Supreme Court (Case #2013-1598). Committee for Responsible School Spending (CRSS), et al, filed an appeal of a decision rendered at the Ohio Board of Tax Appeals (BTA) (Case #2010-K-938) which upheld the decision of the Hamilton County Budget Commission's certification of the Indian Hill School District's Tax Budget for fiscal year 2011 in April 2011. On December 2, 2014, the Ohio Supreme Court found that any additional revenue generated on the outside millage due to the Board's movement of purpose of inside millage in the District's 2011 tax budget had to "correlate to current expenditures, rather than constituting excess revenue for the district." It then concluded that the additional revenue did not correlate to current expenditures and constituted excess revenue for the district and was improper under ORC 5705.341.

In February 2015, the Hamilton County Common Pleas lifted the stay in Case #A1200126. In this action, plaintiffs seek a refund of additional taxes that were collected by the Board in 2011-2014 based on the Supreme Court's decision in Case Number 2013-1598. In May 2015, the parties stipulated to the certification of a class of all taxpayers who paid improper additional taxes during these four years. Plaintiff class claims that the total amount subject to refund is approximately \$5,288,000. It also requests approximately \$200,000 in interest on this sum, all to be refunded to the taxpayers, subject to Plaintiffs' counsel claim to a fee payment from this refund amount under a common fund theory. In response, the Board claims that the total amount of taxes that the Supreme Court's decision found to be improper was approximately \$3,600,000, of which approximately \$2,300,000 is subject to refund under applicable Ohio law. The case remains pending.

In November 2015 the parties reached a settlement agreement which was approved by the Board of Education on November 10, 2015.

**Terms of the Settlement**

The Settlement is conditioned on the Court approving its terms, including the terms providing for the Board to pay the attorney fees and expenses of the lawyers who have represented Plaintiffs and the Class Members. The total amount the Board has agreed to pay under the Settlement is \$5.5 million, which approximates the full amount of refunds demanded by Plaintiffs in the action, including interest. Of this amount, a total of \$4.6 million will be available for pro rata distribution to the Class Members as a refund of the property taxes the Class Members paid for the relevant tax years.

Following approval of the Settlement, the administrator will send a notice letter to all Class Members who can be located giving each of them the option either to accept a check for the Class Member's pro rata share of the \$4.6 million refund or to direct that the equivalent amount be donated to the Indian Hill Public Schools Foundation ("the Foundation"). Prior to sending this notice letter, the administrator will calculate each Class Member's pro rata share of the \$4.6 million. In each notice letter to each Class Member, the administrator will specify that particular Class Member's pro rata share of the refund. In response to such notice letter, Class Members will be requested to indicate their decision whether to accept a check for their pro rata distribution or to donate the equivalent amount to the Foundation.

The Settlement also provides for \$900,000 of the total \$5.5 million settlement amount to be allocated to cover (a) the attorney fees of the lawyers who have represented the Class in the action, (b) incentive awards for the four Class Representatives, and (c) litigation expenses incurred in prosecuting the action.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**NOTE 16 - CONTINGENCIES - (Continued)**

In addition, the Board has agreed to pay the reasonable costs of settlement administration, including the expenses incurred by the administrator in sending the notice and in implementing the Class Members' individual decisions whether to accept their pro rata distribution or to donate the equivalent amount to the Foundation.

As of June 30, 2016, the District has paid \$5,500,000 to the Claims Settlement Fund which is administered by Burke Rosen & Associates, Cleveland, Ohio. The deadline to file claims was June 30, 2016, and refund checks are being issued as of mid-July 2016.

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	329,014
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,275,382)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (946,368)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 THREE FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15787490%	0.15158800%	0.15158800%
District's proportionate share of the net pension liability	\$ 9,008,495	\$ 7,671,782	\$ 9,014,452
District's covered-employee payroll	\$ 4,682,458	\$ 4,682,458	\$ 4,449,336
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.39%	163.84%	202.60%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

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

Note: Information prior to fiscal year 2014 was unavailable.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON 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 THREE FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15100969%	0.13322101%	0.13322101%
District's proportionate share of the net pension liability	\$ 41,734,661	\$ 32,403,960	\$ 38,599,385
District's covered-employee payroll	\$ 16,072,357	\$ 16,072,357	\$ 14,658,546
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.67%	201.61%	263.32%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

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

Note: Information prior to fiscal year 2014 was unavailable.



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**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 666,491	\$ 617,148	\$ 616,678	\$ 528,420
Contributions in relation to the contractually required contribution	<u>(666,491)</u>	<u>(617,148)</u>	<u>(616,678)</u>	<u>(528,420)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,760,650	\$ 4,682,458	\$ 4,449,336	\$ 3,818,064
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 541,544	\$ 528,435	\$ 556,439	\$ 394,768	\$ 386,749	\$ 446,999
<u>(541,544)</u>	<u>(528,435)</u>	<u>(556,439)</u>	<u>(394,768)</u>	<u>(386,749)</u>	<u>(446,999)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,026,349	\$ 4,203,938	\$ 4,109,594	\$ 4,011,870	\$ 3,938,381	\$ 4,185,384
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,153,904	\$ 2,250,130	\$ 1,905,611	\$ 1,877,706
Contributions in relation to the contractually required contribution	<u>(2,153,904)</u>	<u>(2,250,130)</u>	<u>(1,905,611)</u>	<u>(1,877,706)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,385,029	\$ 16,072,357	\$ 14,658,546	\$ 14,443,892
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,956,088	\$ 1,980,167	\$ 1,946,419	\$ 1,920,373	\$ 1,902,337	\$ 1,846,420
<u>(1,956,088)</u>	<u>(1,980,167)</u>	<u>(1,946,419)</u>	<u>(1,920,373)</u>	<u>(1,902,337)</u>	<u>(1,846,420)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,046,831	\$ 15,232,054	\$ 14,972,454	\$ 14,772,100	\$ 14,633,362	\$ 14,203,231
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

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.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non Cash Receipts</b>	<b>Expenditures</b>	<b>Non Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Child Nutrition Cluster</b>						
National School Lunch Program	3L60	10.555	\$ 48,898	\$ 27,859	\$ 48,898	\$ 21,375
<b>Total U.S. Department of Agriculture - Total Child Nutrition Cluster</b>			<b>48,898</b>	<b>27,859</b>	<b>48,898</b>	<b>21,375</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Title I, Part A Cluster:</b>						
Grants to Local Educational Agencies (Title I)	3M00	84.010	215,759	-	187,610	-
Total Title I, Part A			215,759		187,610	
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA part B)	3M20	84.027	515,378	-	535,232	-
IDEA Preschool Grant	3C50	84.173	3,721	-	3,721	-
Total Special Education Cluster			519,099	-	538,953	-
Title II-A _ Improving Teacher Quality State Grants	3Y60	84.367	47,731		42,549	
<b>Passed through the Great Oaks Institute of Technology &amp; Career Development</b>						
Carl Perkins/Vocational Education	N/A	84.048	4,000	-	4,000	-
<b>Total U.S. Department of Education</b>			<b>786,589</b>	<b>-</b>	<b>773,112</b>	<b>-</b>
<b>Totals</b>			<b>\$ 835,487</b>	<b>\$ 27,859</b>	<b>\$822,010</b>	<b>\$ 21,375</b>

*The accompanying notes are an integral part of this schedule.*

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE 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 the Indian Hill Exempted Village 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 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 respective 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

Indian Hill Exempted Village School District  
Hamilton County  
6855 Drake Road  
Cincinnati, Ohio 45243

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 the Indian Hill Exempted Village School District, Hamilton 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 and have issued our report thereon dated March 16, 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 opinions 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.

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

March 16, 2017



# Dave Yost • Auditor of State

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

Indian Hill Exempted Village School District  
Hamilton County  
6855 Drake Road  
Cincinnati, Ohio 45243

To the Board of Education:

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

We have audited the Indian Hill Exempted Village 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 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 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 each major 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

March 16, 2017

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster – CFDA # 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

HAMILTON 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  
APRIL 6, 2017