



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

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



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

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

February 20, 2001

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash, cash equivalents and investments	\$7,169,747	\$248,901		\$37,269
Cash with fiscal agent			\$28,494	
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	16,053,268			
Accounts	70,269	119		
Accrued interest	133,254	690		
Due from other governments		40,065		
Prepayments	42,572			
Materials and supplies inventory	28,690			
Restricted assets:				
Equity in pooled cash and cash equivalents	97,976			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other Debts:</b>				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total Assets and Other Debits</b>	<b>\$23,595,776</b>	<b>\$289,775</b>	<b>\$28,494</b>	<b>\$37,269</b>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$201,567	\$47,430			\$7,704,914 28,494
				16,053,268
7,735				78,123
				133,944
3,587				43,652
				42,572
23,647				52,337
				97,976
8,620		\$21,174,608		21,183,228
			\$1,630,410	1,630,410
<u>\$245,156</u>	<u>\$47,430</u>	<u>\$21,174,608</u>	<u>\$1,630,410</u>	<u>\$47,048,918</u>

(Continued)

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$146,747	\$32,401		
Accrued wages and benefits	1,554,570	27,702		
Compensated absences payable	183,581			
Pension obligation payable	330,400	4,526		
Deferred revenue	10,872,301			
Due to other governments	6,210			
Due to students				
Matured bonds payable			\$28,494	
Obligation under capital lease				
Total liabilities	<u>13,093,809</u>	<u>64,629</u>	<u>28,494</u>	
<b>Equity and Other Credits:</b>				
Investment in general fixed assets				
Contributed capital.				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	18,769	17,167		
Reserved for supplies inventory	28,690			
Reserved for prepayments	42,572			
Reserved for tax revenue unavailable for appropriation	5,095,000			
Reserved for budget stabilization	97,976			
Unreserved-undesignated	<u>5,218,960</u>	<u>207,979</u>		<u>\$37,269</u>
Total equity and other credits	<u>10,501,967</u>	<u>225,146</u>		<u>37,269</u>
<b>Total liabilities, equity and other credits</b>	<u><b>\$23,595,776</b></u>	<u><b>\$289,775</b></u>	<u><b>\$28,494</b></u>	<u><b>\$37,269</b></u>

The notes to the financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$39,955				\$219,103
				1,582,272
			\$819,657	1,003,238
			138,696	473,622
1,699				10,874,000
				6,210
	\$34,818			34,818
				28,494
			672,057	672,057
<u>41,654</u>	<u>34,818</u>		<u>1,630,410</u>	<u>14,893,814</u>
		\$21,174,608		21,174,608
1,486				1,486
202,016				202,016
				35,936
				28,690
				42,572
				5,095,000
				97,976
	12,612			5,476,820
<u>203,502</u>	<u>12,612</u>	<u>21,174,608</u>		<u>32,155,104</u>
<u>\$245,156</u>	<u>\$47,430</u>	<u>\$21,174,608</u>	<u>\$1,630,410</u>	<u>\$47,048,918</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expensible Trust</u>	
<b>Revenues:</b>					
From local sources:					
Taxes	\$14,400,104				\$14,400,104
Tuition	8,044				8,044
Earnings on investments	547,164	\$12,928			560,092
Other local revenues	138,863	194,334			333,197
Other revenue	1,556,300				1,556,300
Intergovernmental - State	2,621,825	849,062			3,470,887
Intergovernmental - Federal		216,093			216,093
Total revenue	<u>19,272,300</u>	<u>1,272,417</u>			<u>20,544,717</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	8,716,805				8,716,805
Special	2,059,340	84,781			2,144,121
Vocational	117,872				117,872
Other	10,681				10,681
Support services:					
Pupil	1,576,695	32,232			1,608,927
Instructional staff	1,549,596	93,750	\$56,260		1,699,606
Board of Education	23,856				23,856
Administration	1,437,848				1,437,848
Fiscal	494,334				494,334
Business	58,954				58,954
Operations and maintenance	3,013,631				3,013,631
Pupil transportation	1,611,505	1,600			1,613,105
Central	123,453				123,453
Community services	40,989	821,034		\$250	862,273
Extracurricular activities	673,752	156,901			830,653
Facilities services	246,260				246,260
Capital outlay	608,033				608,033
Debt service:					
Principal retirement	299,862				299,862
Interest and fiscal charges	18,752				18,752
Total expenditures	<u>22,682,218</u>	<u>1,190,298</u>	<u>56,260</u>	<u>250</u>	<u>23,929,026</u>
Excess (deficiency) of revenues over (under) expenditures	(3,409,918)	82,119	(56,260)	(250)	(3,384,309)
Other financing sources (uses):					
Operating transfers in		1,092			1,092
Operating transfers out	(1,092)				(1,092)
Proceeds of capital lease transaction	608,033				608,033
Proceeds from sale of assets	29,181				29,181
Total other financing sources	<u>636,122</u>	<u>1,092</u>			<u>637,214</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,773,796)	83,211	(56,260)	(250)	(2,747,095)
Fund balance, July 1	13,274,933	141,935	93,529	12,862	13,523,259
Increase in reserve for inventory	830				830
<b>Fund balance, June 30</b>	<u><b>\$10,501,967</b></u>	<u><b>\$225,146</b></u>	<u><b>\$37,269</b></u>	<u><b>\$12,612</b></u>	<u><b>\$10,776,994</b></u>

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes	\$15,078,592	\$15,078,592	\$0			
Tuition	8,044	8,044	0			
Earnings on investments	605,215	605,215	0	\$12,530	\$12,530	\$0
Other local revenues	49,874	65,797	15,923	203,991	194,863	(9,128)
Other revenue	1,556,300	1,556,300	0			
Intergovernmental - State	2,621,825	2,621,825	0	849,062	849,062	0
Intergovernmental - Federal				246,533	187,873	(58,660)
Total revenues	19,919,850	19,935,773	15,923	1,312,116	1,244,328	(67,788)
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	8,776,824	8,776,824	0			
Special	2,035,937	2,035,937	0	127,285	81,957	45,328
Vocational	116,905	116,905	0			
Other	10,681	10,681	0			
Support services:						
Pupil	1,488,056	1,488,056	0	34,682	31,629	3,053
Instructional staff	1,839,605	1,839,605	0	104,242	89,569	14,673
Board of Education	23,762	23,762	0			
Administration	1,411,209	1,411,209	0			
Fiscal	493,428	493,428	0			
Business	59,530	59,530	0			
Operations and maintenance	3,040,400	3,040,400	0			
Pupil transportation	1,552,773	1,552,773	0	1,600	1,600	0
Central	120,608	120,608	0	12,862		12,862
Community services	41,346	41,346	0	947,426	828,402	119,024
Extracurricular activities	655,548	655,548	0	158,033	158,033	0
Facilities services	416,698	416,698	0			
Total expenditures	22,083,310	22,083,310	0	1,386,130	1,191,190	194,940
Excess (deficiency) of revenues over (under) expenditures	(2,163,460)	(2,147,537)	15,923	(74,014)	53,138	127,152
<b>Other financing sources (uses):</b>						
Refund of prior year's expenditures	16,379	16,379	0			
Refund of prior year's (receipts)				(5,000)	(19,354)	(14,354)
Operating transfers in				1,092	1,092	0
Operating transfers (out)	(1,092)	(1,092)	0			
Proceeds of sale of fixed assets	29,251	29,251	0			
Total other financing sources (uses)	44,538	44,538	0	(3,908)	(18,262)	(14,354)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,118,922)	(2,102,999)	15,923	(77,922)	34,876	112,798
Fund balances, July 1	8,073,361	8,073,361	0	103,006	103,006	0
Prior year encumbrances appropriated	1,303,155	1,303,155	0	65,594	65,594	0
<b>Fund balances, June 30</b>	<b>\$7,257,594</b>	<b>\$7,273,517</b>	<b>\$15,923</b>	<b>\$90,678</b>	<b>\$203,476</b>	<b>\$112,798</b>

The notes to the financial statements are an integral part of this statement.

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$15,078,592	\$15,078,592	\$0
			8,044	8,044	0
			617,745	617,745	0
			253,865	260,660	6,795
			1,556,300	1,556,300	0
			3,470,887	3,470,887	0
			246,533	187,873	(58,660)
			<u>21,231,966</u>	<u>21,180,101</u>	<u>(51,865)</u>
			8,776,824	8,776,824	0
			2,163,222	2,117,894	45,328
			116,905	116,905	0
			10,681	10,681	0
0	0		1,522,738	1,519,685	3,053
\$93,529	\$56,260	\$37,269	2,037,376	1,985,434	51,942
0	0		23,762	23,762	0
			1,411,209	1,411,209	0
0	0		493,428	493,428	0
			59,530	59,530	0
0	0		3,040,400	3,040,400	0
			1,554,373	1,554,373	0
			133,470	120,608	12,862
0	0		988,772	869,748	119,024
			813,581	813,581	0
			416,698	416,698	0
<u>93,529</u>	<u>56,260</u>	<u>37,269</u>	<u>23,562,969</u>	<u>23,330,760</u>	<u>232,209</u>
<u>(93,529)</u>	<u>(56,260)</u>	<u>37,269</u>	<u>(2,331,003)</u>	<u>(2,150,659)</u>	<u>180,344</u>
			16,379	16,379	0
			(5,000)	(19,354)	(14,354)
0	0		1,092	1,092	0
			(1,092)	(1,092)	0
			29,251	29,251	0
			<u>40,630</u>	<u>26,276</u>	<u>(14,354)</u>
(93,529)	(56,260)	37,269	(2,290,373)	(2,124,383)	165,990
93,529	93,529	0	8,269,896	8,269,896	0
			1,368,749	1,368,749	0
<u>\$0</u>	<u>\$37,269</u>	<u>\$37,269</u>	<u>\$7,348,272</u>	<u>\$7,514,262</u>	<u>\$165,990</u>

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

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating revenues:</b>	
Sales/charges for services	\$774,489
Total operating revenues	774,489
<b>Operating expenses:</b>	
Contract services	6,809
Materials and supplies	749,467
Depreciation	1,088
Total operating expenses	757,364
Operating income	17,125
<b>Nonoperating revenues:</b>	
Operating grants	23,749
Federal commodities	15,462
Interest revenue	7,753
Total nonoperating revenues	46,964
Net income	64,089
Addback of depreciation on fixed assets acquired from contributed capital	305
Retained earnings July 1	137,622
<b>Retained earnings June 30</b>	<b>\$202,016</b>

The notes to the financial statements are an integral part of this statement.



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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Cash flows from operating activities:	
Cash received from sales/service charges	\$780,821
Cash payments for contract services	(6,809)
Cash payments for supplies and materials	(709,442)
Net cash provided by operating activities	64,570
Cash flows from noncapital financing activities:	
Cash received from operating grants	23,042
Net cash provided by noncapital financing activities	23,042
Cash flows from investing activities:	
Interest received	8,159
Net cash provided by investing activities	8,159
Net increase in cash and cash equivalents	95,771
Cash and cash equivalents at beginning of year	105,796
Cash and cash equivalents at end of year	\$201,567
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$17,125
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,088
Federal donated commodities	15,462
Changes in assets and liabilities:	
Increase in supplies inventory	(12,466)
Decrease in accounts receivable	6,332
Increase in accounts payable	39,876
Decrease in deferred revenue	(2,847)
Net cash provided by operating activities	\$64,570

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Indian Hill Exempted Village School District (the "District") is located in Hamilton County, including all of the City 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 authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 130 non-certified personnel and 203 certified teaching and administrative personnel to provide services to 2,211 students and other community members, which ranks it 254th out of approximately 660 public and community school districts in Ohio.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The District has no component units. The following organization is described due to its relationship to the District:

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**JOINT VENTURE WITHOUT EQUITY INTEREST**

The Hamilton/Clermont Cooperative Association (H/CCA):

The District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 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 H/CCA consists of the superintendents and/or treasurers of the participating districts. H/CCA 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. The District paid H/CCA \$11,104 for services provided during the year. In accordance with GASB Statement No. 14, the District does not have an equity interest in H/CCA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the H/CCA Board of Education, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**Governmental Funds**

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

**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 where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and Expendable Trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds

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

**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

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

present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**D. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1st, 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 June 30, 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated, however, only governmental funds are required to be reported.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$(1,156,230)
Special Revenue	(119,959)
Capital Projects	(68,902)
Enterprise	49,260
Expendable Trust	4,477
 Total, All Funds	 \$(1,291,354)

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with school district funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds (if any) are disclosed in Note 13.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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, Cash Equivalents, and Investments" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, money market, U.S. Treasury Notes and Federal Agency securities.

Investments are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

Under existing Ohio statutes or federal regulation, all investment earnings are assigned to the General Fund, the Auxiliary Services fund and the Food Service fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	\$547,164	\$536,954	\$10,210
<u>Special Revenue Funds</u>			
Auxiliary services	12,928	6,530	6,398

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

**F. Inventory**

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at fiscal year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than three years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	8-20

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Career Development  
Teacher Development  
Management Information Systems  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Preschool Grant  
Immigrant Assistance  
Auxiliary Services  
Data Communication  
SchoolNet Development  
Ohio Reads

Reimbursable Grants

General Fund

School Bus Purchases  
Driver Education  
Vocational Education Travel/Salary

Special Revenue

Perkins Vocational Grant

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to just over 17% of the District's operating revenue during the 2000 fiscal year.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**J. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year end. The amount of depreciation is then "added back" to retained earnings, because the cost of providing services in the Enterprise funds does not include depreciation expense on amounts of contributed capital. See Note 9 for the change in contributed capital during fiscal year 2000.

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

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. A liability for sick leave is based on the sick leave accumulated at the balance sheet date 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 this future severance eligibility, all employees at least fifty (50) years of age, with at least ten (10) years of service, or twenty (20) years of service at any age were included.

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

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**L. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Capital leases are reported as a liability of the General Long-Term Obligations Account Group until due.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

**M. Fund Equity**

Contributed capital is recorded in Proprietary funds which received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax revenue unavailable for appropriation, budget stabilization, and prepayments. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**N. Statutory Reserves**

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 1999	\$ 0	\$ 0	\$97,976
Current year set-aside requirement	423,933	423,933	0
Current year offsets	0	0	0
Qualifying disbursements	<u>(465,116)</u>	<u>(1,860,923)</u>	<u>0</u>
Total	<u>(41,183)</u>	<u>(1,436,990)</u>	<u>97,976</u>
Set-aside balance carried forward to FY 2001	<u>\$ (41,183)</u>	<u>\$ 0</u>	<u>\$97,976</u>
Set-aside Reserve Balances as of June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$97,976</u>

Although the District had qualifying disbursements during the year that reduced certain set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years only for textbooks and instructional materials.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$97,976</u>
Total restricted assets	<u>\$97,976</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The District has no residual equity transfers for the current fiscal year.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**P. Statement of Cash Flows**

In September 1989, the Governmental Accounting Standards Board issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of the statement of cash flows, the Enterprise fund's portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from these funds without prior notice or penalty.

**Q. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1992. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**R. Parochial Schools**

Within the District boundaries, All Saints, St. Vincent Ferrer, Holy Trinity Episcopal, 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 Special Revenue fund for financial reporting purposes because the District has administrative involvement in the disbursement of the monies.

**S. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2. N. for statutory reserves.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**T. Estimates**

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

**U. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned Total - (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Budgetary Non-Compliance**

The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>Special Revenue</u>	
Title VI-B	
Special Instruction	\$ 37
Immigrant Assistance	
Pupil	150
Instructional Staff	185
Professional Development	
Instructional Staff	443

**B. Deficit Fund Balances**

Fund balances at June 30, 2000 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balances</u>
Career Development	\$ (34)
Ohio Reads	(8)
Miscellaneous Federal Grants	(3,111)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**4. EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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 division (1) or (2) 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash with Fiscal Agent:**

At year end, \$28,494 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash, Cash Equivalents, and Investments".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

**Deposits:**

At year-end the carrying amount of the District's deposits was \$111,799 and the bank balance was \$559,197. Of the bank balance:

1. \$128,494 was covered by federal depository insurance.
2. \$430,703 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

**Investments:**

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.



**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

	Category of Risk		Carrying amount/ Fair Value
	<u>1</u>	<u>3</u>	
Money Market		\$75,564	\$ 75,564
U.S. Treasury Notes	496,405		496,405
Federal Agency Securities	6,404,420		6,404,420
Repurchase Agreement		36,430	36,430
Not Subject to Categorization:			
Investment in State			
Treasurer's Investment Pool	_____	_____	706,766
<b>Total Investments</b>	<b><u>\$6,900,825</u></b>	<b><u>\$111,994</u></b>	<b><u>\$7,719,585</u></b>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 7,831,384	
Investments of the Cash		
Management Pool:		
Money Market	(75,564)	\$ 75,564
Repurchase Agreement	(36,430)	36,430
State Treasurer's Investment Pool	(706,766)	706,766
U.S. Treasury Notes	(496,405)	496,405
Federal Agency Securities	<u>(6,404,420)</u>	<u>6,404,420</u>
<b>GASB Statement No. 3</b>	<b><u>\$ 111,799</u></b>	<b><u>\$7,719,585</u></b>

**5. INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(1,092)
<u>Special Revenue Funds</u>		
District-Managed Student Activity	<u>\$1,092</u>	_____
<b>Totals</b>	<b><u>\$1,092</u></b>	<b><u>\$(1,092)</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies (50% of market) and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$636,047,520	92.61	\$758,944,740	93.84
Public Utility Personal	19,743,090	2.87	16,550,170	2.05
Tangible Personal Property	<u>30,989,900</u>	<u>4.52</u>	<u>33,258,180</u>	<u>4.11</u>
	<u>\$686,780,510</u>	<u>100.00</u>	<u>\$808,753,090</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$42.92		\$42.92	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Hamilton County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES - (Continued)**

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$5,095,000 in the General fund.

**7. RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (tuition and student fees) accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current year). 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 follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$16,053,268
Accounts	70,269
Accrued Interest	133,254
<u>Special Revenue Funds</u>	
Due from other Governments	40,065
<u>Enterprise Funds</u>	
Accounts	7,735
Due from other Governments	3,587

**8. FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/Improvements	\$ 545,829			\$ 545,829
Buildings	11,769,727	\$2,216,271		13,985,998
Furniture/Equipment	3,488,152	993,719	\$ (112,159)	4,369,712
Vehicles	1,880,152	492,589	(99,672)	2,273,069
Construction in Progress	1,195,166	400,901	\$(1,596,067)	0
Total	<u>\$18,879,026</u>	<u>\$4,103,480</u>	<u>\$(1,807,898)</u>	<u>\$21,174,608</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**8. FIXED ASSETS - (Continued)**

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 158,891
Less Accumulated Depreciation	<u>(150,271)</u>
Net Fixed Assets	<u>\$ 8,620</u>

**9. CONTRIBUTED CAPITAL**

The following is a reconciliation of the change in the contributed capital for the Food Service fund:

Contributed Capital at Beginning of Year	\$1,791
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(305)</u>
Contributed Capital at End of Year	<u>\$1,486</u>

**10. CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years and the current year, the District has entered into capitalized leases for the acquisition of computer equipment and musical instruments. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

New lease transactions are accounted for as a capital outlay expenditure and other financing source. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of \$958,917, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$299,862. This amount is reflected as debt service principal retirement in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000:

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**10. CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>Payment</u>
2001	\$ 348,340
2002	226,541
2003	126,002
2004	<u>16,815</u>
Total Future Minimum Lease Payments	717,698
Less: Amount Representing Interest	<u>(45,641)</u>
Present Value of Future Minimum Lease Payments	<u>\$672,057</u>

The District does not have capitalized lease obligations after fiscal year 2004.

**11. LONG-TERM DEBT**

All current long-term obligations are general obligations of the District for which the full faith and credit of the District is pledged for payment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

A. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated Absences				
Sick Leave (Severance)	\$ 717,737	\$162,816	\$ (99,310)	\$ 781,243
Vacation	50,109	98,921	(110,616)	38,414
Pension Obligation Payable	125,072	138,696	(125,072)	138,696
Obligation Under Capital Lease	<u>363,886</u>	<u>608,033</u>	<u>(299,862)</u>	<u>672,057</u>
Total	<u>\$1,256,804</u>	<u>\$1,008,466</u>	<u>\$(634,860)</u>	<u>\$1,630,410</u>

B. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of a school 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 effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$72,787,778 and an unvoted debt margin of \$808,753.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**12. RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs.

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 Nationwide Insurance Company for general liability insurance with a \$5,000,000 single occurrence and a \$5,000,000 aggregate. Property is insured by the Indiana Insurance Company and carries a \$1,000 deductible.

The bus fleet and maintenance vehicles are insured by The Indiana Insurance Company with a \$250 deductible and \$1,000,000 limit per occurrence.

The District provides life and dental insurance to all employees through MetLife Insurance.

The District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 1999.

**OSBA WORKERS' COMPENSATION GROUP RATING**

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise funds to account for the operations of food service and uniform supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000:

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$719,996	\$54,493	\$774,489
Depreciation Expense	1,088		1,088
Operating Income	3,240	13,885	17,125
Non-Operating Revenue:			
Operating grants	23,749		23,749
Donated federal commodities	15,462		15,462
Interest Revenue	7,753		7,753
Net Income	50,204	13,885	64,089
Net Working Capital	174,366	20,516	194,882
Total Assets	224,640	20,516	245,156
Total Liabilities	41,654		41,654
Total Fund Equity	182,986	20,516	203,502
Contributed Capital	1,486		1,486

**14. DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent of annual covered payroll for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$423,556, \$383,088, and \$360,028, respectively; 51 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$208,044, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**14. DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,398,516, \$1,285,339, and \$1,251,097, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$247,752, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**15. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$799,178 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. POSTEMPLOYMENT BENEFITS - (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$207,139 during the 2000 fiscal year.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**16. BUDGETARY BASIS OF ACCOUNTING - (Continued)**

**Excess (Deficiency) of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Fund
Budget Basis	\$(2,102,999)	\$ 34,876	\$(56,260)
Net Adjustment for Revenue Accruals	(663,473)	28,089	
Net Adjustment for Expenditure Accruals	(302,807)	(44,533)	
Net Adjustment for Other Financing Sources/(Uses)	268,166	19,354	
Adjustment for Encumbrances	<u>27,317</u>	<u>45,425</u>	<u>          </u>
GAAP Basis	<u><u>\$(2,773,796)</u></u>	<u><u>\$ 83,211</u></u>	<u><u>\$(56,260)</u></u>

**17. CONTINGENT LIABILITIES**

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

The District was not involved in litigation as either plaintiff or defendant at period end.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$917,091 of school foundation support for its General fund.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**17. CONTINGENT LIABILITIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula and the school foundation program, as discussed above.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**18. SIGNIFICANT SUBSEQUENT EVENT**

In the November, 2000 general election, District voters passed a 4.18 mill bond issue, which is expected to generate \$49.6 million over the life of the issue, which is a maximum of twenty-seven years. Proceeds of the levy will be used to construct two instructional buildings and a transportation facility and renovate two other instructional buildings.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 the financial statements of Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated February 20, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 20, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District dated February 20, 2001.

Indian Hill Exempted Village School District  
Hamilton County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

February 20, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**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  
MARCH 13, 2001**