



Dave Yost • Auditor of State

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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 Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District, Hamilton County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the respective 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*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2014

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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, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$4,159,044, which represents a 7.74% increase from 2013.
- General revenues accounted for \$35,825,216 in revenue or 92.86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,754,935 or 7.14% of total revenues of \$38,580,151.
- The District had \$34,421,107 in expenses related to governmental activities; only \$2,754,935 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 \$35,825,216 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$30,565,965 in revenues and \$29,907,443 in expenditures. During fiscal 2014, the general fund's fund balance increased \$658,522 from a balance of \$37,705,068 to \$38,363,590.
- The District has \$42,502,493 in capital assets at June 30, 2014. This amount is net of accumulated depreciation in the amount of \$31,420,719. Fiscal year 2014 depreciation expense was \$1,675,077. Total net investment in capital assets was \$15,244,212 at June 30, 2014.
- The District has \$28,701,487 in general obligation bonds and lease purchase agreements outstanding at June 30, 2014. Of this total, \$2,621,000 is due within one year and \$26,080,487 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, 2014
(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 2014?" 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 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. 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 19-23 of this report.

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, 2014, the balances in the agency fund are reported in a separate statement of fiduciary net position on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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 25-55 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2014 and 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 67,883,172	\$ 66,925,673
Capital assets, net	<u>42,502,493</u>	<u>41,442,824</u>
Total assets	<u>110,385,665</u>	<u>108,368,497</u>
Deferred outflows	<u>941,392</u>	<u>1,096,528</u>
Total assets and deferred outflows	<u>111,327,057</u>	<u>109,465,025</u>
<u>Liabilities</u>		
Current liabilities	3,090,445	3,021,871
Long-term liabilities	<u>30,930,948</u>	<u>33,654,831</u>
Total liabilities	<u>34,021,393</u>	<u>36,676,702</u>
Deferred inflows of resources	<u>19,426,528</u>	<u>19,068,231</u>
Total liabilities and deferred inflows of resources	<u>53,447,921</u>	<u>55,744,933</u>
<u>Net Position</u>		
Net Investment in capital assets	15,244,212	11,757,864
Restricted	3,989,024	4,018,389
Unrestricted	<u>38,645,900</u>	<u>37,943,839</u>
Total net position	<u>\$ 57,879,136</u>	<u>\$ 53,720,092</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,879,136. Of this total \$3,989,024 is restricted in use resulting in a balance of unrestricted net position of \$38,645,900.

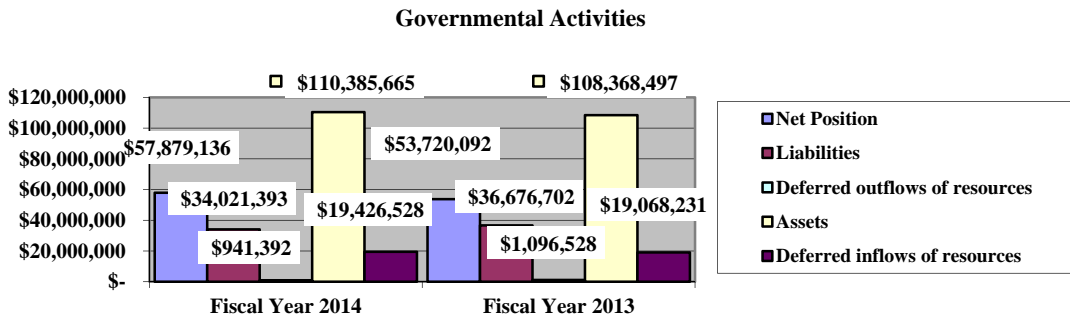
**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

At fiscal year-end, capital assets represented 38.50% 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, 2014, was \$15,244,212. 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, \$3,989,024, represents resources that are subject to external restriction on how they may be used. Of this total, \$3,444,582 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, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 710,529	\$ 805,309
Operating grants and contributions	2,044,406	1,924,630
General revenues:		
Property taxes	27,950,631	27,604,107
Payments in lieu of taxes	3,703,775	3,814,254
Grants and entitlements	4,587,225	4,485,142
Investment earnings	349,556	693,618
Loss on fair market value adjustment	(797,127)	-
Miscellaneous	31,156	424,761
Total revenues	38,580,151	39,751,821

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Change in Net Position	
	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	13,882,588	14,352,949
Special	3,165,895	3,001,484
Vocational	11,874	11,170
Other	546,484	573,880
Support services:		
Pupil	2,480,454	2,485,211
Instructional staff	1,880,569	2,187,762
Board of education	19,134	17,050
Administration	2,603,754	2,282,233
Fiscal	789,955	788,280
Business	68,517	81,723
Operations and maintenance	2,834,584	4,822,408
Pupil transportation	1,839,517	2,258,715
Central	67,681	48,945
Operations of non-instructional services		
Other non-instructional services	1,132,737	1,067,122
Food service operations	716,213	743,211
Extracurricular activities	971,572	920,692
Interest and fiscal charges	<u>1,409,579</u>	<u>1,500,470</u>
Total expenses	<u>34,421,107</u>	<u>37,143,305</u>
Change in net position	4,159,044	2,608,516
Net position at beginning of year	<u>53,720,092</u>	<u>51,111,576</u>
Net position at end of year	<u>\$ 57,879,136</u>	<u>\$ 53,720,092</u>

Governmental Activities

Net position of the District's governmental activities increased \$4,159,044. Total governmental expenses of \$34,421,107 were offset by program revenues of \$2,754,935 and general revenues of \$35,825,216. Program revenues supported 8.00% 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 93.94% of total governmental revenue.

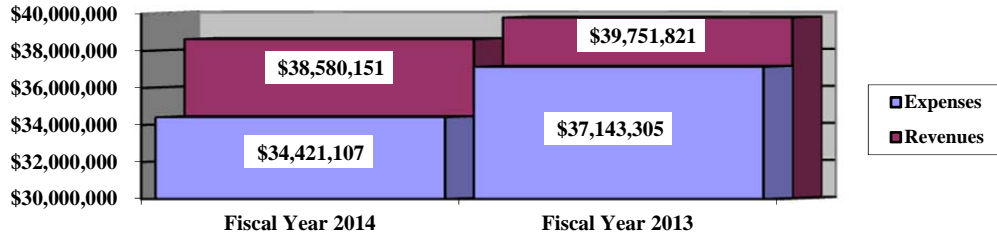
The largest expense of the District is for instructional programs. Instruction expenses totaled \$17,606,841 or 51.15% of total governmental expenses for fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

Governmental Activities - Revenues and Expenses



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.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Program expenses				
Instruction:				
Regular	13,882,588	13,858,016	14,352,949	14,346,829
Special	3,165,895	2,639,911	3,001,484	2,550,547
Vocational	11,874	11,746	11,170	11,170
Other	546,484	331,689	573,880	375,861
Support services:				
Pupil	2,480,454	2,441,197	2,485,211	2,381,055
Instructional staff	1,880,569	1,835,925	2,187,762	2,137,797
Board of education	19,134	19,134	17,050	17,050
Administration	2,603,754	2,603,754	2,282,233	2,282,233
Fiscal	789,955	789,955	788,280	788,280
Business	68,517	68,517	81,723	81,723
Operations and maintenance	2,834,584	2,829,184	4,822,408	4,812,468
Pupil transportation	1,839,517	1,799,914	2,258,715	2,245,118
Central	67,681	67,681	48,945	48,945
Operations of non-instructional services				
Other non-instructional services	1,132,737	2,651	1,067,122	(19,066)
Food service operations	716,213	141,445	743,211	133,362
Extracurricular activities	971,572	815,874	920,692	719,524
Interest and fiscal charges	<u>1,409,579</u>	<u>1,409,579</u>	<u>1,500,470</u>	<u>1,500,470</u>
Total expenses	<u>\$ 34,421,107</u>	<u>\$ 31,666,172</u>	<u>\$ 37,143,305</u>	<u>\$ 34,413,366</u>

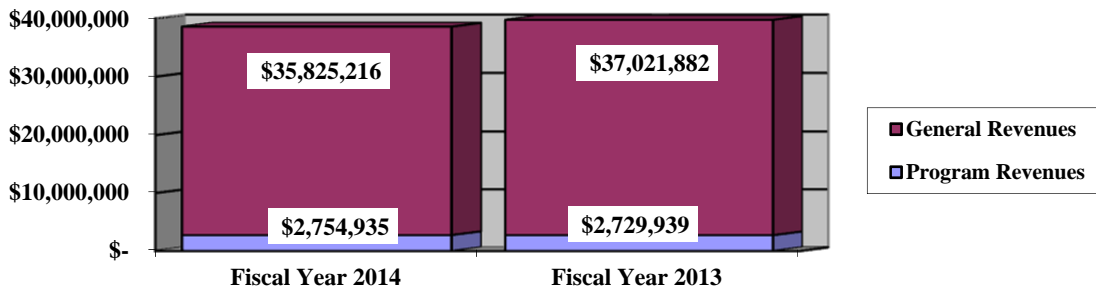
**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 95.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 92.00%. 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 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$44,143,437, which is higher than last year's total of \$43,732,162. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$ 38,363,590	\$ 37,705,068	\$ 658,522
Other Governmental	5,779,847	6,027,094	(247,247)
Total	<u>\$ 44,143,437</u>	<u>\$ 43,732,162</u>	<u>\$ 411,275</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

General Fund

The District's general fund balance increased \$658,522 from June 30, 2013. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 23,306,133	\$ 23,229,288	\$ 76,845	0.33 %
Payments in lieu of taxes	3,518,465	3,623,541	(105,076)	(2.90) %
Earnings on investments	356,228	615,315	(259,087)	(42.11) %
Intergovernmental	4,096,713	3,958,832	137,881	3.48 %
Loss on fair market value adjustment	(797,127)	-	(797,127)	(100.00)
Other revenues	<u>85,553</u>	<u>499,466</u>	<u>(413,913)</u>	<u>(82.87) %</u>
Total	<u>\$ 30,565,965</u>	<u>\$ 31,926,442</u>	<u>\$ (1,360,477)</u>	<u>(4.26) %</u>
<u>Expenditures</u>				
Instruction	\$ 16,014,526	\$ 16,616,087	\$ (601,561)	(3.62) %
Support services	12,212,272	13,175,562	(963,290)	(7.31) %
Operation of non-instructional services	33,575	43,003	(9,428)	(21.92) %
Extracurricular activities	683,166	638,132	45,034	7.06 %
Facilities acquisition and construction	655,968	-	655,968	100.00 %
Debt service	<u>307,936</u>	<u>324,695</u>	<u>(16,759)</u>	<u>(5.16) %</u>
Total	<u>\$ 29,907,443</u>	<u>\$ 30,797,479</u>	<u>\$ (890,036)</u>	<u>(2.89) %</u>

Earnings on investments decreased and the loss of fair market value adjustment increase due to the District's investments decreasing value in fiscal year 2014. The other revenues decreased due a refund of prior year expenditure for the 2013 real estate assessment not being received again for 2014. Facilities acquisition and construction increased due to ongoing 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 \$31,643,692, which was higher than the original budgeted revenues and other financing sources estimate of \$30,410,185. Actual revenues and other financing sources for fiscal 2014 were \$31,643,516.

General fund original and final appropriations (appropriated expenditures) were \$30,928,412 and \$35,560,896. The actual budget basis expenditures for fiscal 2014 totaled \$34,635,593, which was \$925,393 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, 2014
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

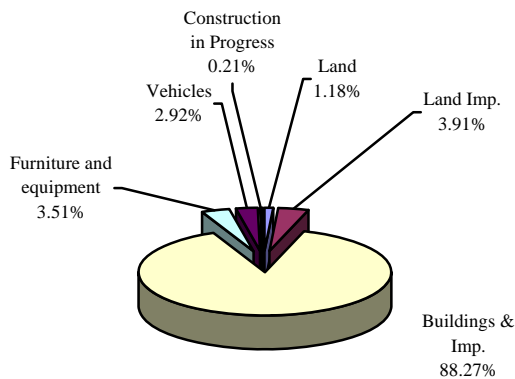
At the end of fiscal 2014, the District had \$42,502,493 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2014 balances compared to the fiscal 2013 balances:

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

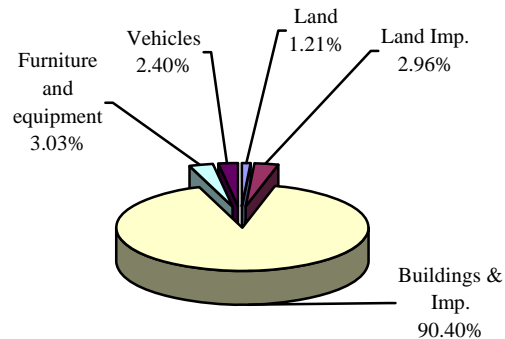
	Governmental Activities	
	2014	2013
Land	\$ 501,523	\$ 501,523
Construction in progress	89,469	-
Land improvements	1,660,887	1,228,569
Buildings and improvements	37,517,209	37,463,181
Furniture and equipment	1,490,730	1,254,862
Vehicles	1,242,675	994,689
Total	<u>\$ 42,502,493</u>	<u>\$ 41,442,824</u>

Total additions to capital assets for 2014 were \$2,736,006. The overall increase in capital assets of \$1,059,669 is primarily due the total additions exceeding net disposals of \$1,260 and depreciation expense of \$1,675,077. The graphs below present the District's capital assets for fiscal 2014 and fiscal 2013.

**Capital Assets - Governmental Activities
2014**



**Capital Assets - Governmental Activities
2013**



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, 2014
(UNAUDITED)

Debt Administration

At June 30, 2014, the District had \$28,701,487, in general obligation bonds and lease-purchase agreements outstanding. Of this total, \$2,621,000 is due within one year and \$26,080,487 is due in more than one year. The following table summarizes the bonds and lease-purchase agreements outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 28,509,487	\$ 30,735,089
Lease purchase agreement	<u>192,000</u>	<u>486,000</u>
Total	<u>\$ 28,701,487</u>	<u>\$ 31,221,089</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 \$32,400,755 at June 30, 2014. Fiscal year-end general fund cash balances were \$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 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 2019. 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 generates approximately \$1.45 million for the District today. (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).

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, 2014
(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 59 (June 2013) will provide nearly flat (State) funding for the District over the next two fiscal years. However, some of the components of HB59 (such as, elimination of State rollback and homestead payments on new levies) are concerning as a further erosion of the relationship between the State and its responsibility for the education of its youngest citizens.

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 continued to decline in (tax year) 2012. 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.

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. 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 - Excellent. Our most recent State report card (2013-2014 year-preliminary) shows the District's students achieving a perfect 26 out of 26 indicators, meeting Value Added and Adequate Yearly Progress benchmarks, and attaining one of the highest Performance Indexes (111.2) 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, 2014
(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 Mrs. Julia Toth, 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, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 36,050,953
Receivables:	
Property taxes.	27,943,450
Payment in lieu of taxes	3,683,244
Accounts.	1,554
Accrued interest.	118,605
Intergovernmental	64,464
Materials and supplies inventory	20,902
Capital assets:	
Land and construction in progress.	590,992
Depreciable capital assets, net.	41,911,501
Capital assets, net.	<u>42,502,493</u>
 Total assets	 <u>110,385,665</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding. . .	<u>941,392</u>
 Liabilities:	
Accounts payable.	7,671
Contracts payable.	89,469
Accrued wages and benefits payable.	2,430,497
Pension obligation payable.	330,712
Intergovernmental payable.	106,613
Accrued interest payable.	92,991
Matured bonds payable	28,492
Unearned revenue	4,000
Long-term liabilities:	
Due within one year	2,919,597
Due in more than one year	28,011,351
 Total liabilities	 <u>34,021,393</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	15,743,284
Payments in lieu of taxes for the next fiscal year . . .	<u>3,683,244</u>
 Total deferred inflows of resources	 <u>19,426,528</u>
 Net position:	
Net investment in capital assets	15,244,212
Restricted for:	
Debt service.	3,444,582
Federally funded programs	25,271
State funded programs.	116,582
Student activities	133,927
Food service operations	268,662
Unrestricted	<u>38,645,900</u>
 Total net position	 <u>\$ 57,879,136</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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 13,882,588	\$ 20,642	\$ 3,930	\$ (13,858,016)
Special	3,165,895	26,214	499,770	(2,639,911)
Vocational	11,874	-	128	(11,746)
Other	546,484	-	214,795	(331,689)
Support services:				
Pupil	2,480,454	-	39,257	(2,441,197)
Instructional staff	1,880,569	-	44,644	(1,835,925)
Board of education	19,134	-	-	(19,134)
Administration	2,603,754	-	-	(2,603,754)
Fiscal	789,955	-	-	(789,955)
Business	68,517	-	-	(68,517)
Operations and maintenance	2,834,584	5,400	-	(2,829,184)
Pupil transportation	1,839,517	-	39,603	(1,799,914)
Central	67,681	-	-	(67,681)
Operation of non-instructional services:				
Other non-instructional services	1,132,737	-	1,130,086	(2,651)
Food service operations	716,213	502,575	72,193	(141,445)
Extracurricular activities	971,572	155,698	-	(815,874)
Interest and fiscal charges	1,409,579	-	-	(1,409,579)
Total governmental activities	\$ 34,421,107	\$ 710,529	\$ 2,044,406	(31,666,172)

General revenues:	
Property taxes levied for:	
General purposes	23,445,684
Debt service	3,249,312
Capital outlay	1,255,635
Payments in lieu of taxes	3,703,775
Grants and entitlements not restricted	
to specific programs	4,587,225
Investment earnings	349,556
(Loss) on fair market value adjustment	(797,127)
Miscellaneous	31,156
Total general revenues	35,825,216
Change in net position	4,159,044
Net position at beginning of year	53,720,092
Net position at end of year	\$ 57,879,136

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 32,043,459	\$ 4,007,494	\$ 36,050,953
Receivables:			
Property taxes	23,340,824	4,602,626	27,943,450
Payment in lieu of taxes	3,499,082	184,162	3,683,244
Accounts	-	1,554	1,554
Accrued interest	118,605	-	118,605
Intergovernmental	-	64,464	64,464
Materials and supplies inventory	-	20,902	20,902
Total assets	\$ 59,001,970	\$ 8,881,202	\$ 67,883,172
Liabilities:			
Accounts payable	\$ 3,000	\$ 4,671	\$ 7,671
Contracts payable	89,469	-	89,469
Accrued wages and benefits payable	2,368,945	61,552	2,430,497
Compensated absences payable	236,541	-	236,541
Pension obligation payable	322,095	8,617	330,712
Intergovernmental payable	103,350	3,263	106,613
Matured bonds payable	28,492	-	28,492
Unearned revenue	2,000	2,000	4,000
Total liabilities	3,153,892	80,103	3,233,995
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	13,107,230	2,636,054	15,743,284
Delinquent property tax revenue not available	783,594	136,572	920,166
Accrued interest not available	94,582	-	94,582
Unavailable grant revenues	-	64,464	64,464
Payments in lieu of taxes for the next fiscal year	3,499,082	184,162	3,683,244
Total deferred inflows of resources	17,484,488	3,021,252	20,505,740
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	20,902	20,902
Restricted:			
Debt service	-	3,438,493	3,438,493
Food service operations	-	247,760	247,760
Non-public schools	-	143,986	143,986
Targeted academic assistance	-	4,821	4,821
Extracurricular	-	133,927	133,927
Committed:			
Capital improvements	-	1,826,245	1,826,245
Student and staff support	62,414	-	62,414
Facilities acquisition and construction	4,412,517	-	4,412,517
Assigned:			
Student instruction	8,830	-	8,830
Student and staff support	112,057	-	112,057
Extracurricular activities	18,075	-	18,075
Subsequent year appropriation	5,404,641	-	5,404,641
Public school support	13,186	-	13,186
Other purposes	9,874	-	9,874
Unassigned (deficit)	28,321,996	(36,287)	28,285,709
Total fund balances	38,363,590	5,779,847	44,143,437
Total liabilities, deferred inflows and fund balances.	\$ 59,001,970	\$ 8,881,202	\$ 67,883,172

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, 2014

Total governmental fund balances		\$	44,143,437
<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.			42,502,493
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	920,166	
Accrued interest receivable		94,582	
Intergovernmental receivable		64,464	
Total		1,079,212	1,079,212
Unamortized premiums on bonds issued are not recognized in the funds.			(701,608)
Unamortized amounts on refundings are not recognized in the funds.			941,392
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(92,991)
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		(28,509,487)	
Lease-purchase agreements		(192,000)	
Compensated absences		(1,291,312)	
Total		(29,992,799)	(29,992,799)
Net position of governmental activities		\$	57,879,136

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, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 23,306,133	\$ 4,487,485	\$ 27,793,618
Payment in lieu of taxes	3,518,465	185,310	3,703,775
Tuition	46,856	-	46,856
Earnings on investments	356,228	153	356,381
Charges for services	-	502,575	502,575
Extracurricular	2,141	153,557	155,698
Rental income	5,400	-	5,400
Contributions and donations	2,208	-	2,208
Other local revenues	28,948	-	28,948
Intergovernmental - state	4,096,713	1,634,213	5,730,926
Intergovernmental - federal	-	901,107	901,107
(Loss) on fair market value adjustment	(797,127)	-	(797,127)
Total revenues	<u>30,565,965</u>	<u>7,864,400</u>	<u>38,430,365</u>
Expenditures:			
Current:			
Instruction:			
Regular	13,019,133	11,178	13,030,311
Special	2,670,892	403,086	3,073,978
Other	324,501	221,797	546,298
Support services:			
Pupil	2,401,813	38,375	2,440,188
Instructional staff	1,618,140	140,602	1,758,742
Board of education	19,134	-	19,134
Administration	2,583,468	-	2,583,468
Fiscal	735,955	64,202	800,157
Business	68,517	-	68,517
Operations and maintenance	2,980,745	1,456,109	4,436,854
Pupil transportation	1,736,819	228,519	1,965,338
Central	67,681	-	67,681
Operation of non-instructional services:			
Other non-instructional services	33,575	1,158,021	1,191,596
Food service operations	-	565,072	565,072
Extracurricular activities	683,166	217,630	900,796
Facilities acquisition and construction	655,968	-	655,968
Debt service:			
Principal retirement	294,000	2,390,000	2,684,000
Interest and fiscal charges	13,936	1,217,056	1,230,992
Total expenditures	<u>29,907,443</u>	<u>8,111,647</u>	<u>38,019,090</u>
Net change in fund balances	658,522	(247,247)	411,275
Fund balances at beginning of year	<u>37,705,068</u>	<u>6,027,094</u>	<u>43,732,162</u>
Fund balances at end of year	<u>\$ 38,363,590</u>	<u>\$ 5,779,847</u>	<u>\$ 44,143,437</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, 2014

Net change in fund balances - total governmental funds	\$	411,275
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,736,006	
Current year depreciation	<u>(1,675,077)</u>	
Total		1,060,929
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,260)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	157,013	
Earnings on investments	(6,672)	
Intergovernmental	<u>(555)</u>	
Total		149,786
 Repayment of bond and 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	2,390,000	
Lease-purchase obligations	<u>294,000</u>	
Total		2,684,000
 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	8,431	
Accreted interest on capital appreciation bonds	(164,398)	
Amortization of bond premiums	132,516	
Amortization of deferred charges	<u>(155,136)</u>	
Total		(178,587)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>32,901</u>
Change in net position of governmental activities	\$	<u><u>4,159,044</u></u>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 22,597,032	\$ 23,515,532	\$ 23,515,532	\$ -
Tuition	45,026	46,856	46,856	-
Earnings on investments	354,053	368,444	368,444	-
Rental income	5,189	5,400	5,400	-
Other local revenues	27,817	28,948	28,948	-
Intergovernmental - intermediate	3,381,036	3,518,465	3,518,465	-
Intergovernmental - state	3,936,698	4,096,713	4,096,713	-
Total revenues	30,346,851	31,580,358	31,580,358	-
Expenditures:				
Current:				
Instruction:				
Regular	12,070,409	13,876,150	13,151,887	724,263
Special	2,282,157	2,624,222	2,657,608	(33,386)
Vocational	870	1,000	-	1,000
Other	346,418	398,306	343,369	54,937
Support services:				
Pupil	2,193,391	2,522,321	2,434,572	87,749
Instructional staff	1,806,335	2,086,422	1,987,025	99,397
Board of education	16,629	19,120	22,616	(3,496)
Administration	2,207,612	2,509,903	2,572,254	(62,351)
Fiscal	658,493	765,276	734,279	30,997
Business	71,077	81,723	68,517	13,206
Operations and maintenance	2,623,743	3,017,177	2,996,035	21,142
Pupil transportation	1,580,757	1,813,877	1,838,888	(25,011)
Central	56,472	68,132	68,216	(84)
Other operation of non-instructional services	50,474	58,034	32,447	25,587
Extracurricular activities	555,290	650,748	659,395	(8,647)
Facilities acquisition and construction	4,408,285	5,068,575	5,068,485	90
Total expenditures	30,928,412	35,560,986	34,635,593	925,393
Excess (deficiency) of revenues over (under) expenditures	(581,561)	(3,980,628)	(3,055,235)	925,393
Other financing sources (uses):				
Refund of prior year's expenditures	56,534	56,534	56,358	(176)
Sale of capital assets	6,800	6,800	6,800	-
Total other financing sources (uses)	63,334	63,334	63,158	(176)
Net change in fund balance	(518,227)	(3,917,294)	(2,992,077)	925,217
Fund balance at beginning of year	30,580,731	30,580,731	30,580,731	-
Prior year encumbrances appropriated	105,739	105,739	105,739	-
Fund balance at end of year	\$ 30,168,243	\$ 26,769,176	\$ 27,694,393	\$ 925,217

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 47,927
Total assets.	\$ 47,927
Liabilities:	
Due to students.	\$ 33,927
Due to others	14,000
Total liabilities	\$ 47,927

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, 2014**

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 98 classified personnel to provide services to 1,925 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, 2014

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, Al Porter, 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 (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, 2014

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 Treasurer of the fiscal agent (Indian Hill Exempted Village School District) serves as the Treasurer of the SWOOSH. Financial activity of SWOOSH is reported in an agency fund of the District (See Note 2B). 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 Julia Toth, Treasurer of the Indian Hill Exempted Village School District at 6855 Drake Road, Cincinnati, Ohio 45243.

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, 2014

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 funds account for student activities and SWOOSH.

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, 2014**

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

During fiscal year 2014, investments were limited to Federal Home Loan Bank (FHLB) notes and discount notes, Federal National Mortgage Association (FNMA) bonds and notes, Federal Farm Credit Bank (FFCB) notes, Federal Home Loan Mortgage Corporation (FHLMC) bonds, notes and discount notes, negotiable CD's, 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 2014. 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, 2014.

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 2014 amounted to \$356,228, which includes \$41,338 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.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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, 2014, 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, 2014, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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, 2014, 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.

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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, 2014.

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, 2014, 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
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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

S. 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.

T. 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 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 67, "*Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*", and GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA part-B	\$ 14,485
Title I - disadvantaged children	21,802

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

NOTE 4 - 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$5,067,662. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$500,000 of the District’s bank balance of \$5,279,919 was covered by the Federal Deposit Insurance Corporation, while \$4,779,919 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.

B. Investments

As of June 30, 2014, 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>
FHLMC discount notes	\$ 749,969	\$ 749,969	\$ -	\$ -	\$ -	\$ -
FHLB discount notes	479,734	189,975	289,759	-	-	-
FFCB notes	164,796	164,796	-	-	-	-
FHLB notes	1,836,353	-	1,086,302	-	750,051	-
FHLMC notes	1,203,962	125,177	-	376,287	-	702,498
FNMA notes	5,747,728	4,276,929	-	275,891	-	1,194,908
FNMA bonds	6,463,881	300,549	912,768	616,755	323,403	4,310,406
FHLMC bonds	6,915,021	901,947	612,108	623,709	957,036	3,820,221
Negotiable certificates of deposit	400,330	400,330	-	-	-	-
U.S. Treasury bonds and notes	6,265,920	-	470,588	600,586	1,201,750	3,992,996
U.S. government money market mutual funds	89,505	89,505	-	-	-	-
STAR Ohio	714,019	714,019	-	-	-	-
Total	\$ 31,031,218	\$ 7,913,196	\$ 3,371,525	\$ 2,493,228	\$ 3,232,240	\$ 14,021,029

The weighted average maturity of investments is 1.75 years.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 negotiable CD's are not rated. 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.

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, 2014:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC discount notes	\$ 749,969	2.42
FHLB discount notes	479,734	1.55
FFCB notes	164,796	0.53
FHLB notes	1,836,353	5.92
FHLMC notes	1,203,962	3.88
FNMA notes	5,747,728	18.52
FNMA bonds	6,463,881	20.82
FHLMC bonds	6,915,021	22.28
Negotiable certificates of deposit	400,330	1.30
U.S. Treasury bonds and notes	6,265,920	20.19
U.S. government money market mutual funds	89,505	0.29
STAR Ohio	714,019	2.30
Total	<u>\$ 31,031,218</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 5,067,662
Investments	<u>31,031,218</u>
Total	<u>\$ 36,098,880</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 36,050,953
Agency fund	<u>47,927</u>
Total	<u>\$ 36,098,880</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$9,450,000 in the general fund, \$1,310,000 in the bond retirement fund (a nonmajor governmental fund) and \$520,000 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$9,659,400 in the general fund, \$1,332,633 in the bond retirement fund (a nonmajor governmental fund) and \$563,500 in the permanent improvement 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,160,332,210	99.08	\$ 1,165,697,360	99.02
Public utility personal	<u>10,731,100</u>	<u>0.92</u>	<u>11,567,240</u>	<u>0.98</u>
Total	<u>\$ 1,171,063,310</u>	<u>100.00</u>	<u>\$ 1,177,264,600</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$	41.67	\$	41.73
Bond retirement		3.07		3.08
Permanent improvements		1.25		1.25

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 \$3,703,775 in payments in lieu of taxes during fiscal year 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, payments in lieu of taxes, accounts, 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	\$ 27,943,450
Payments in lieu of taxes	3,683,244
Accounts	1,554
Accrued interest	118,605
Intergovernmental	<u>64,464</u>
Total	<u>\$ 31,811,317</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 Encumbrances</u>
General fund	\$ 4,614,012
Other governmental	<u>603,974</u>
Total	<u>\$ 5,217,986</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014, the District made principal and interest payments of \$294,000 and \$13,936, 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, 2014, 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, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 93,162
2016	91,646
2017	<u>18,760</u>
Total minimum lease payments	203,568
Less: amount representing interest	<u>(11,568)</u>
Total	<u>\$ 192,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 501,523	\$ -	\$ -	\$ 501,523
Construction in progress	-	89,469	-	89,469
<i>Total capital assets, not being depreciated</i>	<u>501,523</u>	<u>89,469</u>	<u>-</u>	<u>590,992</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,845,804	558,830	-	3,404,634
Buildings and improvements	57,965,614	1,388,211	-	59,353,825
Equipment and furniture	7,738,156	339,490	(103,622)	7,974,024
Vehicles	2,351,751	360,006	(112,020)	2,599,737
<i>Total capital assets, being depreciated</i>	<u>70,901,325</u>	<u>2,646,537</u>	<u>(215,642)</u>	<u>73,332,220</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,617,235)	(126,512)	-	(1,743,747)
Buildings and improvements	(20,502,433)	(1,334,183)	-	(21,836,616)
Equipment and furniture	(6,483,294)	(102,362)	102,362	(6,483,294)
Vehicles	(1,357,062)	(112,020)	112,020	(1,357,062)
<i>Total accumulated depreciation</i>	<u>(29,960,024)</u>	<u>(1,675,077)</u>	<u>214,382</u>	<u>(31,420,719)</u>
Total capital assets, net	<u>\$ 41,442,824</u>	<u>\$ 1,060,929</u>	<u>\$ (1,260)</u>	<u>\$ 42,502,493</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 710,749
Special	60,466
Vocational	11,874
<u>Support services:</u>	
Pupil	31,859
Instructional staff	170,490
Administration	37,013
Fiscal	1,112
Operations and maintenance	85,943
Pupil transportation	292,106
Operation of non-instructional services	20,362
Extracurricular activities	101,962
Food service operations	<u>151,141</u>
Total depreciation expense	<u>\$ 1,675,077</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2014, the following activity occurred in the governmental activities long-term obligations:

<u>Governmental activities:</u>	Balance <u>06/30/13</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/14</u>	Amount Due Within <u>One Year</u>
<u>General Obligation Bonds:</u>					
Current interest bonds-series 2005	\$ 10,985,000	\$ -	\$ (145,000)	\$ 10,840,000	\$ 2,425,000
Capital appreciation bonds-series 2005	1,200,000	-	-	1,200,000	-
Accreted interest-series 2005	945,089	164,398	-	1,109,487	-
Current interest bonds-series 2006	<u>17,605,000</u>	<u>-</u>	<u>(2,245,000)</u>	<u>15,360,000</u>	<u>110,000</u>
Total general obligation bonds	<u>30,735,089</u>	<u>164,398</u>	<u>(2,390,000)</u>	<u>28,509,487</u>	<u>2,535,000</u>
<u>Other Long-Term Obligations:</u>					
Lease-purchase agreement	486,000	-	(294,000)	192,000	86,000
Compensated absences	<u>1,599,618</u>	<u>280,316</u>	<u>(352,081)</u>	<u>1,527,853</u>	<u>298,597</u>
Total other long-term obligations	<u>2,085,618</u>	<u>280,316</u>	<u>(646,081)</u>	<u>1,719,853</u>	<u>384,597</u>
Total governmental activities	<u>\$ 32,820,707</u>	<u>\$ 444,714</u>	<u>\$ (3,036,081)</u>	30,229,340	<u>\$ 2,919,597</u>
Add: Unamortized premium on bonds				<u>701,608</u>	
Total on statement of net position				<u>\$ 30,930,948</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.

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, 2014, the balance of the refunded bonds was \$16,670,000.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 mature 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. The present value (as of the issue date) reported on the statement of net position at June 30, 2009 is \$1,200,000. Total accreted interest of \$1,109,487 has also been included on the statement of net position.

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, 2014 are as follows:

Fiscal Year	Current Interest Bonds - Series 2005			Capital Appreciation Bonds - Series 2005		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 2,425,000	\$ 452,556	\$ 2,877,556	\$ -	\$ -	\$ -
2016	-	401,025	401,025	1,200,000	1,380,000	2,580,000
2017	2,630,000	345,138	2,975,138	-	-	-
2018	2,795,000	219,375	3,014,375	-	-	-
2019	2,990,000	74,750	3,064,750	-	-	-
Total	<u>\$ 10,840,000</u>	<u>\$ 1,492,844</u>	<u>\$ 12,332,844</u>	<u>\$ 1,200,000</u>	<u>\$ 1,380,000</u>	<u>\$ 2,580,000</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, 2014, the balance of the refunded bonds was \$18,530,000.

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%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014 are as follows:

<u>Fiscal Year</u>	<u>Current Interest Bonds - Series 2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 110,000	\$ 663,331	\$ 773,331
2016	115,000	658,831	773,831
2017	120,000	654,131	774,131
2018	125,000	649,231	774,231
2019	130,000	644,131	774,131
2020 - 2023	14,760,000	1,335,984	16,095,984
Total	\$ 15,360,000	\$ 4,605,639	\$ 19,965,639

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, 2014 are a legal voted debt margin of \$81,992,307 (including available funds of \$3,438,493) and a legal unvoted debt margin of \$1,177,265.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Sun 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 is under a separate fully insured plan through United Health Care. Premiums are paid by the District to United Health Care.

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 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$531,116, \$528,420 and \$541,544, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,809,992, \$1,877,706 and \$1,956,088, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14- POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$66,517, \$70,416 and \$93,727, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$30,813, \$29,850 and \$31,981, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14- POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$139,230, \$144,439 and \$150,468, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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);
- (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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (2,992,077)
Net adjustment for revenue accruals	(1,018,742)
Net adjustment for expenditure accruals	24,007
Net adjustment for other sources/uses	(63,158)
Funds budgeted elsewhere	2,130
Adjustment for encumbrances	4,706,362
GAAP basis	\$ 658,522

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.

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. The District's Tax Budget for fiscal year 2011 included the movement of 1.25 inside mills for permanent improvements which had the result of an unvoted property tax increase of 1.25 mills. The case remains pending at the Ohio Supreme Court level as of June 30, 2014.

Hamilton County Common Pleas (Case #A1200126). Committee for Responsible School Spending (CRSS), et al., filed with the Hamilton County Court of Common Pleas for class certification on behalf of all Indian Hill School District taxpayers re: the action of the Hamilton County Budget Commission (2010) to approve the Tax Budget of the Indian Hill School District which allowed the School District to move 1.25 inside mills for permanent improvements which had the result of an unvoted property tax increase of 1.25 mills. The case remains pending until a decision of the Ohio Supreme Court is rendered.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2013	\$ -
Current year set-aside requirement	327,081
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(156,607)
Excess qualified expenditures from prior years	-
Current year offsets	(170,474)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<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.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non- Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	N/A	10.555	\$0	\$21,733	\$0	\$18,742
Cash Assistance:						
National School Lunch Program	3L60	10.555	49,452	0	49,452	0
Total U.S. Department of Agriculture - Total Child Nutrition Cluster			49,452	21,733	49,452	18,742
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A Cluster:						
Grants to Local Educational Agencies (Title I)	3M00	84.010	211,565	0	219,497	0
Total Title I, Part A Cluster			211,565	0	219,497	0
Special Education Cluster:						
Special Education Grants to States (IDEA part B)	3M20	84.027	564,342	0	550,663	0
IDEA Preschool Grant	3C50	84.173	3,720	0	3,720	0
Total Special Education Cluster			568,062	0	554,383	0
Title III - LEP English Language Acquisition	3Y70	84.365	2,643	0	2,643	0
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	43,651	0	40,848	0
<i>Passed through the Great Oaks Institute of Technology & Career Development:</i>						
Carl Perkins/Vocational Education	N/A	84.048	4,000	0	4,000	0
Total U.S. Department of Education			829,921	0	821,371	0
Totals			\$879,373	\$21,733	\$870,823	\$18,742

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Indian Hill Exempted Village School District, Hamilton County, Ohio (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2014



Dave Yost • Auditor of State

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

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, Hamilton County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Indian Hill Exempted Village School District, Hamilton County, Ohio 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, 2014.

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www.ohioauditor.gov

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States (IDEA part B) – CFDA #84.027; IDEA Preschool Grant – CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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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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
DECEMBER 2, 2014**