



Dave Yost • Auditor of State

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

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HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2017, 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 Districts 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Hill Exempted Village School District, Hamilton County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Revenues and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 15, 2018

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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, 2017
(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, 2017. 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 2017 are as follows:

- In total, net position of governmental activities decreased \$2,057,536, which represents an 23.80% decrease from 2016 as restated in Note 3.C.
- General revenues accounted for \$37,335,332 in revenue or 91.63% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,412,048 or 8.37% of total revenues of \$40,747,380.
- The District had \$42,804,916 in expenses related to governmental activities; only \$3,412,048 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$37,335,332 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$33,453,875 in revenues and \$35,098,946 in expenditures. During fiscal 2017, the general fund's fund balance decreased \$1,645,071 from a balance of \$27,685,636 to \$26,040,565.
- The bond retirement fund had \$19,396,447 in revenues and other financing sources and \$19,092,770 in expenditures and other financing uses. During fiscal 2017, the bond retirement fund's fund balance increased \$303,677 from a balance of \$3,446,310 to \$3,749,987.
- The District has \$44,814,749 in capital assets at June 30, 2017. This amount is net of accumulated depreciation in the amount of \$37,815,508. Fiscal year 2017 depreciation expense was \$2,339,540. Total net investment in capital assets was \$23,776,871 at June 30, 2017.
- The District has \$19,640,000 in general obligation bonds outstanding at June 30, 2017. Of this total, \$2,905,000 is due within one year and \$16,735,000 is due in greater than one year.

Using These Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 2017?" 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 19-20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement 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 21-25 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for students. These activities are reported in an agency fund. At June 30, 2017, the balances in the agency fund are reported in a separate statement of fiduciary net position on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-65 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 68-74 of this report.

The District as a Whole

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016 as restated in Note 3.C.

	Net Position	
	Governmental Activities 2017	Restated Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 56,348,349	\$ 55,848,333
Capital assets, net	<u>44,814,749</u>	<u>45,767,055</u>
Total assets	<u>101,163,098</u>	<u>101,615,388</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	604,596	631,120
Pension	<u>14,019,953</u>	<u>9,186,553</u>
Total deferred outflows of resources	<u>14,624,549</u>	<u>9,817,673</u>
<u>Liabilities</u>		
Current liabilities	3,706,570	3,068,980
Long-term liabilities:		
Due within one year	3,097,738	2,883,635
Due in more than one year:		
Net pension liability	60,085,520	50,743,156
Other amounts	<u>19,829,577</u>	<u>22,578,561</u>
Total liabilities	<u>86,719,405</u>	<u>79,274,332</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	16,283,115	16,113,664
Payments in lieu of taxes for the next fiscal year	4,823,428	4,139,412
Pension	<u>1,374,843</u>	<u>3,261,261</u>
Total deferred inflows of resources	<u>22,481,386</u>	<u>23,514,337</u>
<u>Net Position</u>		
Net Investment in capital assets	23,776,871	22,393,599
Restricted	4,499,192	4,118,065
Unrestricted (deficit)	<u>(21,689,207)</u>	<u>(17,867,272)</u>
Total net position	<u>\$ 6,586,856</u>	<u>\$ 8,644,392</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Net Pension Liability

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

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

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

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

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

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

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

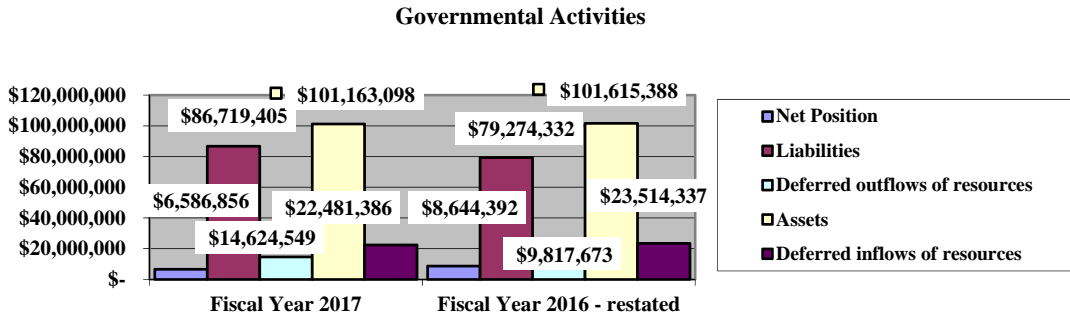
Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2017, the District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,586,856. Of this total \$4,499,192 is restricted in use resulting in a balance of unrestricted net position deficit of \$21,689,207.

Long-term liabilities increased as a result of an increase in the net pension liability discussed above. In relation to its effect on net position, the impact of the increase in the net pension liability is partially offset by an increase in deferred outflows of resources related to pension and a decrease in deferred inflows of resources related to pension. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it’s the pension systems that collect, hold and distribute pensions to District employees, not the District.

At fiscal year-end, capital assets represented 44.30% 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, 2017, was \$23,776,871. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net assets, \$4,499,192, represents resources that are subject to external restriction on how they may be used. Of this total, \$3,797,008 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, 2017 and June 30, 2016 as restated in Note 3.C.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below shows the change in net position for fiscal years 2017 and 2016 as restated in Note 3.C.

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,134,568	\$ 870,717
Operating grants and contributions	2,277,480	2,179,075
General revenues:		
Property taxes	28,134,629	27,768,751
Payments in lieu of taxes	4,272,445	4,112,918
Grants and entitlements	4,930,020	4,832,830
Investment earnings	73,878	184,471
Increase (decrease) in fair value of investments	(101,925)	213,880
Miscellaneous	<u>26,285</u>	<u>20,013</u>
Total revenues	<u>40,747,380</u>	<u>40,182,655</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Change in Net Position	
	Governmental Activities <u>2017</u>	Restated Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	17,188,089	16,095,137
Special	4,169,026	3,370,546
Vocational	13,246	13,049
Other	690,098	710,996
Support services:		
Pupil	3,268,138	2,856,459
Instructional staff	2,187,873	2,348,446
Board of education	27,146	31,942
Administration	3,012,794	3,099,064
Fiscal	872,943	841,838
Business	81,450	74,485
Operations and maintenance	3,840,610	3,825,730
Pupil transportation	2,396,288	2,126,255
Central	195,329	67,759
Operation of non-instructional services:		
Food service operations	892,552	845,020
Other non-instructional services	1,417,698	1,330,356
Extracurricular activities	1,752,042	1,261,784
Interest and fiscal charges	<u>799,594</u>	<u>1,174,407</u>
Total expenses	<u>42,804,916</u>	<u>40,073,273</u>
Change in net position	(2,057,536)	109,382
Net position at beginning of year (restated)	<u>8,644,392</u>	<u>8,535,010</u>
Net position at end of year	<u><u>\$ 6,586,856</u></u>	<u><u>\$ 8,644,392</u></u>

Governmental Activities

Net position of the District's governmental activities decreased \$2,057,536. Total governmental expenses of \$42,804,916 were offset by program revenues of \$3,412,048 and general revenues of \$37,335,332. Program revenues supported 7.97% of the total governmental expenses.

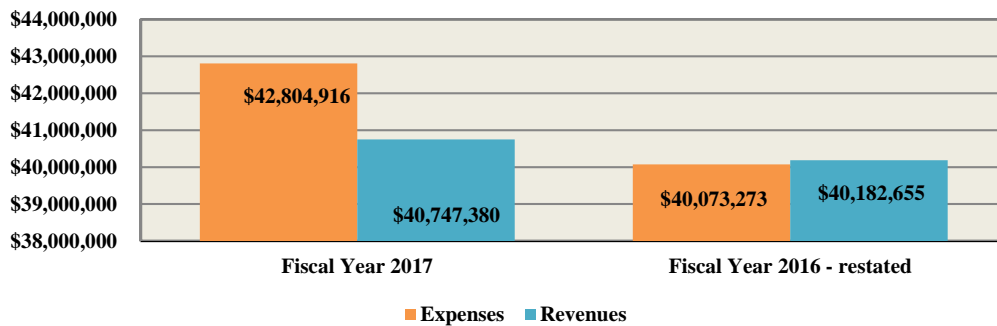
The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and grants and entitlements. These revenue sources represent 91.63% of total governmental revenue. The decrease in fair value of investments is due primarily to the District being required reporting of investments at fair value rather than cost. The fair value fluctuates throughout the year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Overall, expenses increased \$2,731,643 or 6.82% from the prior year. Pension expense was the primary reason for the increase in expenses. Pension expense for fiscal year 2017 was \$5,557,736 compared to \$3,342,385 for fiscal year 2016. Pension expense is reported as a program expense of the program benefitting from the employee's service. The largest expense of the District is for instructional programs. Instruction expenses totaled \$22,060,459 or 51.54% of total governmental expenses for fiscal year 2017.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016 as restated in Note 3.C.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

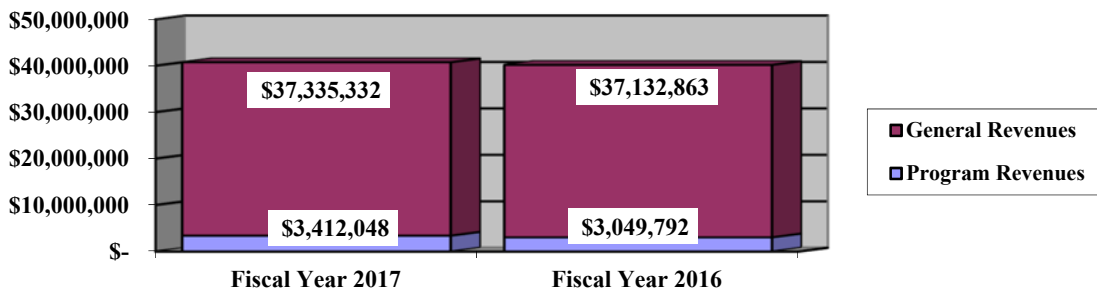
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Governmental Activities			
	Total Cost of	Net Cost of	Restated	Restated
	Services	Services	Total Cost of	Net Cost of
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Program expenses				
Instruction:				
Regular	17,188,089	17,155,893	16,095,137	16,092,157
Special	4,169,026	3,689,893	3,370,546	2,917,487
Vocational	13,246	(7,643)	13,049	13,042
Other	690,098	511,548	710,996	508,527
Support services:				
Pupil	3,268,138	3,198,660	2,856,459	2,772,935
Instructional staff	2,187,873	2,135,701	2,348,446	2,286,017
Board of education	27,146	27,146	31,942	31,942
Administration	3,012,794	3,012,794	3,099,064	3,099,064
Fiscal	872,943	872,943	841,838	841,838
Business	81,450	81,450	74,485	74,485
Operations and maintenance	3,840,610	3,823,755	3,825,730	3,823,290
Pupil transportation	2,396,288	2,350,344	2,126,255	2,118,731
Central	195,329	195,329	67,759	67,759
Operations of non-instructional services				
Food service operations	892,552	198,670	845,020	193,646
Other non-instructional services	1,417,698	31,968	1,330,356	33,886
Extracurricular activities	1,752,042	1,314,823	1,261,784	974,268
Interest and fiscal charges	799,594	799,594	1,174,407	1,174,407
Total expenses	<u>\$ 42,804,916</u>	<u>\$ 39,392,868</u>	<u>\$ 40,073,273</u>	<u>\$ 37,023,481</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 96.78% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 92.03%. 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 2017 and 2016.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$30,480,048, which is less than last year's total of \$31,771,871. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>
General	\$ 26,040,565	\$ 27,685,636	\$ (1,645,071)
Bond retirement	3,749,987	3,446,310	303,677
Other Governmental	<u>689,496</u>	<u>639,925</u>	<u>49,571</u>
Total	<u>\$ 30,480,048</u>	<u>\$ 31,771,871</u>	<u>\$ (1,291,823)</u>

General Fund

The District's general fund balance decreased \$1,645,071 from June 30, 2016. The table that follows assists in illustrating the financial activities of the general fund.

	2017 <u>Amount</u>	2016 <u>Amount</u>	Increase (Decrease)	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 24,442,795	\$ 24,413,836	\$ 28,959	0.12 %
Payments in lieu of taxes	4,272,445	4,112,901	159,544	3.88 %
Earnings on investments	98,025	193,751	(95,726)	(49.41) %
Increase (decrease) in fair value of investments	(101,925)	213,880	(315,805)	(147.66) %
Intergovernmental	4,585,751	4,485,710	100,041	2.23 %
Other revenues	<u>156,784</u>	<u>40,149</u>	<u>116,635</u>	290.51 %
Total	<u>\$ 33,453,875</u>	<u>\$ 33,460,227</u>	<u>\$ (6,352)</u>	(0.02) %
<u>Expenditures</u>				
Instruction	\$ 18,617,761	\$ 17,864,626	\$ 753,135	4.22 %
Support services	14,102,200	14,147,952	(45,752)	(0.32) %
Operation of non-instructional services	39,206	31,294	7,912	25.28 %
Extracurricular activities	1,202,820	930,749	272,071	29.23 %
Facilities acquisition and construction	1,118,199	638,015	480,184	75.26 %
Debt service	<u>18,760</u>	<u>91,646</u>	<u>(72,886)</u>	(79.53) %
Total	<u>\$ 35,098,946</u>	<u>\$ 33,704,282</u>	<u>\$ 1,394,664</u>	4.14 %

Earnings on investment revenue decreased due to decreased returns on the District's investments. The decrease in fair value of investments is due primarily to the District being required to report investments at fair value rather than cost. The fair value fluctuates throughout the year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value. Other revenues increased due an increase in refunds and reimbursements received in fiscal year 2017 and due to increased tuition revenue.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Instruction expenditures, which represents the largest expenditure category, increased due to increased staff and normal and customary wage and benefit increases. Extracurricular expenses increased during fiscal year 2017 due to increased participation in extracurriculars. Facilities acquisition and construction increased due to the District beginning construction on the High School Locker Room and Vocal Music renovation project.

Bond retirement Fund

The bond retirement fund had \$19,396,447 in revenues and other financing sources and \$19,092,770 in expenditures and other financing uses. The bond retirement fund fund's balance increased \$303,677 from a balance of \$3,446,310 to \$3,749,987 during fiscal year 2017.

General Fund Budgeting Highlights

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

For the general fund, original and final budgeted revenues were \$32,535,171. Actual revenues and other financing sources for fiscal 2017 were \$33,170,693, which was \$635,522 higher than the final budget estimates.

General fund final appropriations (appropriated expenditures) were \$38,431,838, which was \$2,800,000 higher than original appropriations of \$35,631,838. The actual budget basis expenditures for fiscal 2017 totaled \$37,279,790, which was \$1,152,048 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$44,814,749 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 2017 balances compared to the fiscal 2016 balances:

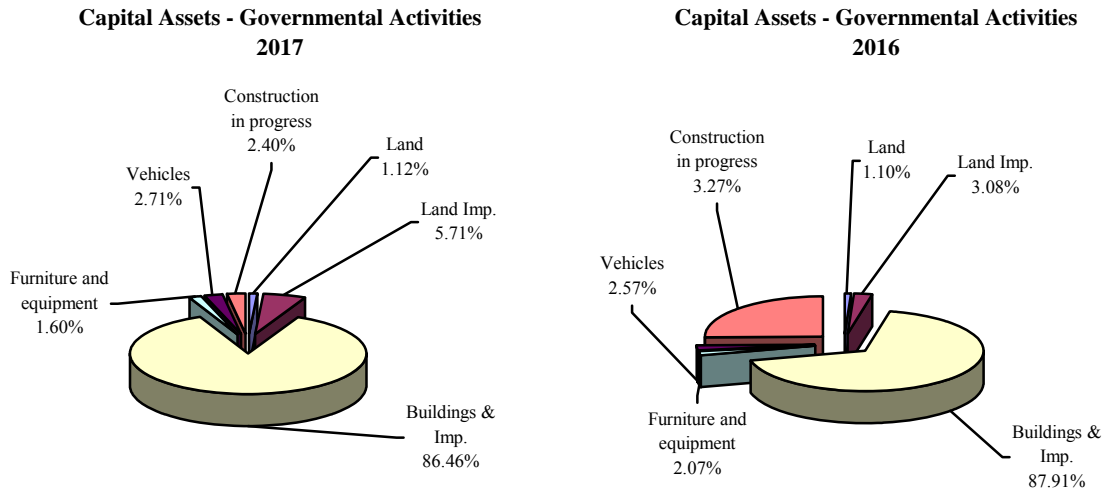
	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 501,523	\$ 501,523
Construction in progress	1,073,415	1,497,885
Land improvements	2,558,603	1,409,634
Buildings and improvements	38,748,511	40,236,858
Furniture and equipment	717,380	946,895
Vehicles	<u>1,215,317</u>	<u>1,174,260</u>
Total	<u>\$ 44,814,749</u>	<u>\$ 45,767,055</u>

Total additions to capital assets for 2017 were \$1,387,234. The overall decrease in capital assets of \$952,306 is primarily due the total depreciation expense of \$2,339,540 exceeding additions.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graphs below present the District's capital assets for fiscal 2017 and fiscal 2016.



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

Debt Administration

The District has \$19,640,000 in general obligation bonds outstanding at June 30, 2017. Of this total, \$2,905,000 is due within one year and \$16,735,000 is due in greater than one year. The following table summarizes the bonds and lease-purchase agreements outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 19,640,000	\$ 23,550,000
Lease purchase agreement	-	18,000
Total	<u>\$ 19,640,000</u>	<u>\$ 23,568,000</u>

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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. However, in recent years, expenditures have exceeded revenues. Generally speaking, this happened because inflation of the District's expenses far exceeds inflation of the District's revenue. More specifically, the District has invested significant resources in maintaining the District's aging capital infrastructure, as well as devoting those same resources to retaining and attracting a highly qualified staff.

While the District strives to maintain its buildings and grounds, there are some very substantial projects that need to be completed in the next decade. The transportation department needs to add new buses to its fleet in order to achieve a reasonable cycle of replacement. Areas of the High School need to be air conditioned and linked to the central utility plant. The transportation building needs to be remodeled or replaced. The Primary School needs an update to the main entrance area that would include security enhancements and re-purposing of former gymnasium locker room space. The newest buildings in our District (High School and Elementary School) have reached the age where mechanical systems need to be replaced and upgraded. Meanwhile, the most significant facilities' issue in the District is the aging Middle School. This 175,000 square-foot single-story building has served the District well in its fifty-plus years of service. However, the roofs are becoming a constant drain on the District's finances as major repairs are made throughout the year and complete replacement of sections are completed every summer. Complicating roof replacements and another substantial cost in the future are the thirty-two mechanical units and the miles of piping that connect them. The building also has a wing that has been shuttered from students and used only as storage. The foundation under this wing is sinking causing walls and floors to crack.

The Board of Education has a collectively bargained agreement with the Indian Hill Educators Professional Organization which runs through June 30, 2019. This agreement covers teachers, counselors, psychologists, and media specialists. Our certified staff has an average annual salary of \$83,179. 149 certified staff members have a master's degree and three have doctorates. All certified staff, classified staff, and administrators are eligible for District medical, dental and life insurance benefits. The District currently pays 85% of all medical insurance premiums.

The Board of Education recognizes the need to balance the District budget and will be devoted to finding the best option(s) to meet this need. The District provides an extraordinary service to the community by providing a nationally recognized education to its students as well as fantastic facilities to support academics, arts, and athletics.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Michael W. Davis, Treasurer, Indian Hill Exempted Village School District, 6855 Drake Road, Cincinnati, Ohio 45243.

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 22,758,041
Receivables:	
Property taxes	28,504,734
Payment in lieu of taxes.	4,823,428
Accounts.	2,140
Accrued interest	60,575
Intergovernmental	146,263
Prepayments	53,168
Capital assets:	
Nondepreciable capital assets	1,574,938
Depreciable capital assets, net	43,239,811
Capital assets, net	<u>44,814,749</u>
Total assets.	<u>101,163,098</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding.	604,596
Pension - STRS	11,306,756
Pension - SERS	2,713,197
Total deferred outflows of resources	<u>14,624,549</u>
Liabilities:	
Accounts payable.	555,680
Contracts payable.	359,806
Retainage payable	13,834
Accrued wages and benefits payable	2,310,871
Pension obligation payable.	339,584
Intergovernmental payable	40,901
Accrued interest payable	57,402
Matured bonds payable	28,492
Long-term liabilities:	
Due within one year.	3,097,738
Due in more than one year:	
Net pension liability (See Note 13)	60,085,520
Other amounts due in more than one year	19,829,577
Total liabilities	<u>86,719,405</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	16,283,115
Payment in lieu of taxes levied for the next fiscal year.	4,823,428
Pension - STRS.	1,233,344
Pension - SERS.	141,499
Total deferred inflows of resources	<u>22,481,386</u>
Net position:	
Net investment in capital assets	23,776,871
Restricted for:	
Debt service.	3,797,008
Federally funded programs	3,417
State funded programs.	225,878
Student activities	247,276
Food service operations.	225,613
Unrestricted (deficit)	(21,689,207)
Total net position.	<u>\$ 6,586,856</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, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 17,188,089	\$ 26,880	\$ 5,316	\$ (17,155,893)
Special	4,169,026	23,670	455,463	(3,689,893)
Vocational	13,246	-	20,889	7,643
Other	690,098	-	178,550	(511,548)
Support services:				
Pupil	3,268,138	-	69,478	(3,198,660)
Instructional staff	2,187,873	-	52,172	(2,135,701)
Board of education	27,146	-	-	(27,146)
Administration	3,012,794	-	-	(3,012,794)
Fiscal	872,943	-	-	(872,943)
Business	81,450	-	-	(81,450)
Operations and maintenance	3,840,610	16,855	-	(3,823,755)
Pupil transportation	2,396,288	-	45,944	(2,350,344)
Central	195,329	-	-	(195,329)
Operation of non-instructional services:				
Other non-instructional services	1,417,698	-	1,385,730	(31,968)
Food service operations	892,552	631,444	62,438	(198,670)
Extracurricular activities	1,752,042	435,719	1,500	(1,314,823)
Interest and fiscal charges	799,594	-	-	(799,594)
Total governmental activities	<u>\$ 42,804,916</u>	<u>\$ 1,134,568</u>	<u>\$ 2,277,480</u>	<u>(39,392,868)</u>
General revenues:				
Property taxes levied for:				
General purposes				24,669,871
Debt service				3,464,758
Payments in lieu of taxes				4,272,445
Grants and entitlements not restricted				
to specific programs				4,930,020
Investment earnings				73,878
(Decrease) in fair value of investments				(101,925)
Miscellaneous				26,285
Total general revenues				<u>37,335,332</u>
Change in net position				(2,057,536)
Net position at beginning of year (restated)				<u>8,644,392</u>
Net position at end of year				<u>\$ 6,586,856</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 19,487,967	\$ 2,349,987	\$ 920,087	\$ 22,758,041
Receivables:				
Property taxes	25,023,124	3,481,610	-	28,504,734
Payment in lieu of taxes	4,823,428	-	-	4,823,428
Accounts	1,723	-	417	2,140
Accrued interest	60,575	-	-	60,575
Interfund loans	2,826	-	-	2,826
Intergovernmental	103,027	-	43,236	146,263
Prepayments	51,932	-	1,236	53,168
Total assets	<u>\$ 49,554,602</u>	<u>\$ 5,831,597</u>	<u>\$ 964,976</u>	<u>\$ 56,351,175</u>
Liabilities:				
Accounts payable	\$ 364,235	\$ -	\$ 191,445	\$ 555,680
Contracts payable	359,806	-	-	359,806
Retainage payable	13,834	-	-	13,834
Accrued wages and benefits payable	2,252,962	-	57,909	2,310,871
Compensated absences payable	112,354	-	-	112,354
Pension obligation payable	317,010	-	22,574	339,584
Intergovernmental payable	40,175	-	726	40,901
Interfund loans payable	-	-	2,826	2,826
Matured bonds payable	28,492	-	-	28,492
Total liabilities	<u>3,488,868</u>	<u>-</u>	<u>275,480</u>	<u>3,764,348</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	14,305,928	1,977,187	-	16,283,115
Delinquent property tax revenue not available	867,196	104,423	-	971,619
Accrued interest not available	27,477	-	-	27,477
Miscellaneous revenue not available	1,140	-	-	1,140
Payment in lieu of taxes levied for the next fiscal year	4,823,428	-	-	4,823,428
Total deferred inflows of resources	<u>20,025,169</u>	<u>2,081,610</u>	<u>-</u>	<u>22,106,779</u>
Fund balances:				
Nonspendable:				
Prepays	51,932	-	1,236	53,168
Restricted:				
Debt service	-	3,749,987	-	3,749,987
Food service operations	-	-	225,613	225,613
Non-public schools	-	-	225,878	225,878
Targeted academic assistance	-	-	3,417	3,417
Extracurricular	-	-	247,276	247,276
Committed:				
Student and staff support	-	-	-	-
Facilities acquisition and construction	1,366,434	-	-	1,366,434
Assigned:				
Student instruction	99,654	-	-	99,654
Student and staff support	403,713	-	-	403,713
Extracurricular activities	15,453	-	-	15,453
Facilities acquisition and construction	253,483	-	-	253,483
Subsequent year's appropriations	3,699,007	-	-	3,699,007
Other purposes	9,849	-	-	9,849
Unassigned (deficit)	20,141,040	-	(13,924)	20,127,116
Total fund balances	<u>26,040,565</u>	<u>3,749,987</u>	<u>689,496</u>	<u>30,480,048</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 49,554,602</u>	<u>\$ 5,831,597</u>	<u>\$ 964,976</u>	<u>\$ 56,351,175</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	30,480,048
<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.			44,814,749
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	971,619	
Accrued interest receivable		27,477	
Rental income receivable		1,140	
Total		1,000,236	1,000,236
Unamortized premiums on bonds issued are not recognized in the funds.			(1,628,834)
Unamortized amounts on refundings are not recognized in the funds.			604,596
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(57,402)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		14,019,953	
Deferred inflows of resources - pension		(1,374,843)	
Net pension liability		(60,085,520)	
Total		(47,440,410)	(47,440,410)
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		(19,640,000)	
Compensated absences		(1,546,127)	
Total		(21,186,127)	(21,186,127)
Net position of governmental activities		\$	6,586,856

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, 2017

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 24,442,795	\$ 3,446,309	\$ -	\$ 27,889,104
Payment in lieu of taxes	4,272,445	-	-	4,272,445
Tuition	50,550	-	-	50,550
Earnings on investments	98,025	-	7,509	105,534
Charges for services	-	-	631,444	631,444
Extracurricular	61,949	-	373,770	435,719
Rental income	15,715	-	-	15,715
Contributions and donations	2,285	-	1,500	3,785
Other local revenues	26,285	-	-	26,285
Intergovernmental - state	4,585,751	421,102	1,320,981	6,327,834
Intergovernmental - federal	-	-	919,360	919,360
(Decrease) in fair value of investments	(101,925)	-	-	(101,925)
Total revenues	<u>33,453,875</u>	<u>3,867,411</u>	<u>3,254,564</u>	<u>40,575,850</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,766,875	-	3,000	14,769,875
Special	3,396,742	-	436,778	3,833,520
Other	454,144	-	189,113	643,257
Support services:				
Pupil	2,929,077	-	75,679	3,004,756
Instructional staff	1,872,267	-	52,684	1,924,951
Board of education	25,725	-	-	25,725
Administration	2,794,299	-	-	2,794,299
Fiscal	853,992	47,811	-	901,803
Business	81,450	-	-	81,450
Operations and maintenance	3,352,788	-	-	3,352,788
Pupil transportation	2,016,042	-	50,244	2,066,286
Central	176,560	-	-	176,560
Operation of non-instructional services:				
Other non-instructional services	39,206	-	1,358,218	1,397,424
Food service operations	-	-	726,319	726,319
Extracurricular activities	1,202,820	-	312,958	1,515,778
Facilities acquisition and construction	1,118,199	-	-	1,118,199
Debt service:				
Principal retirement	18,000	2,835,000	-	2,853,000
Interest and fiscal charges	760	683,027	-	683,787
Bond issuance costs	-	194,913	-	194,913
Total expenditures	<u>35,098,946</u>	<u>3,760,751</u>	<u>3,204,993</u>	<u>42,064,690</u>
Excess of revenues over (under) expenditures	(1,645,071)	106,660	49,571	(1,488,840)
Other financing sources (uses):				
Premium on bonds issued	-	1,589,036	-	1,589,036
Issuance of refunding bonds	-	13,940,000	-	13,940,000
Payment to refunded bond escrow agent	-	(15,332,019)	-	(15,332,019)
Total other financing sources (uses)	-	197,017	-	197,017
Net change in fund balances	(1,645,071)	303,677	49,571	(1,291,823)
Fund balances at beginning of year	27,685,636	3,446,310	639,925	31,771,871
Fund balances at end of year	\$ 26,040,565	\$ 3,749,987	\$ 689,496	\$ 30,480,048

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, 2017

Net change in fund balances - total governmental funds	\$	(1,291,823)
<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	\$ 1,387,234	
Current year depreciation	<u>(2,339,540)</u>	
Total		(952,306)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	245,525	
Earnings on investments	(24,147)	
Rental income	1,140	
Intergovernmental	<u>(50,988)</u>	
Total		171,530
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	2,835,000	
Lease-purchase obligations	<u>18,000</u>	
Total		2,853,000
Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(13,940,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	15,015,000	
Unamortized premium on refunded bonds removed	186,620	
Unamortized deferred charges on refunded bonds removed	(410,995)	
Deferred charges on refundings	<u>541,394</u>	
Total		15,332,019
Premiums on bonds are amortized over the life of the issuance in the statement of activities. The following transaction occurred in the year:		
		(1,589,036)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	25,871	
Amortization of bond premiums	210,158	
Amortization of deferred charges	<u>(156,923)</u>	
Total		79,106
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,935,188
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(5,557,734)
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>(97,480)</u>
Change in net position of governmental activities	\$	<u>(2,057,536)</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 23,693,137	\$ 23,693,137	\$ 24,155,928	\$ 462,791
Payment in lieu of taxes.	4,190,591	4,190,591	4,272,445	81,854
Tuition.	49,582	49,582	50,550	968
Earnings on investments	75,927	75,927	77,410	1,483
Rental income	15,414	15,414	15,715	301
Other local revenues	25,760	25,760	26,263	503
Intergovernmental - state	4,484,760	4,484,760	4,572,360	87,600
Total revenues	<u>32,535,171</u>	<u>32,535,171</u>	<u>33,170,671</u>	<u>635,500</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,919,881	15,372,298	14,908,440	463,858
Special.	3,130,977	3,330,384	3,235,691	94,693
Other.	506,196	515,196	454,350	60,846
Support services:				
Pupil.	2,847,660	3,133,098	2,929,540	203,558
Instructional staff	2,295,677	2,460,250	1,995,770	464,480
Board of education	23,404	23,404	25,745	(2,341)
Administration.	2,965,942	3,138,327	2,968,331	169,996
Fiscal	814,300	846,492	870,061	(23,569)
Business	81,934	81,934	80,133	1,801
Operations and maintenance.	4,188,558	4,401,558	3,341,751	1,059,807
Pupil transportation	2,218,006	2,277,894	2,200,157	77,737
Central.	64,300	151,300	160,769	(9,469)
Other operation of non-instructional services	38,839	45,539	38,314	7,225
Extracurricular activities.	1,255,196	1,288,596	1,237,835	50,761
Facilities acquisition and construction	280,968	1,365,568	2,830,077	(1,464,509)
Total expenditures	<u>35,631,838</u>	<u>38,431,838</u>	<u>37,276,964</u>	<u>1,154,874</u>
Excess of expenditures over revenues	<u>(3,096,667)</u>	<u>(5,896,667)</u>	<u>(4,106,293)</u>	<u>1,790,374</u>
Other financing sources:				
Refund of prior year's expenditures	-	-	22	22
Advances (out)	-	-	(2,826)	(2,826)
Total other financing sources.	<u>-</u>	<u>-</u>	<u>(2,804)</u>	<u>(2,804)</u>
Net change in fund balance	(3,096,667)	(5,896,667)	(4,109,097)	1,787,570
Fund balance at beginning of year	19,992,429	19,992,429	19,992,429	-
Prior year encumbrances appropriated	1,055,098	1,055,098	1,055,098	-
Fund balance at end of year	<u>\$ 17,950,860</u>	<u>\$ 15,150,860</u>	<u>\$ 16,938,430</u>	<u>\$ 1,787,570</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	<u>\$ 58,408</u>
Liabilities:	
Accounts payable	\$ 2,266
Due to students.	<u>56,142</u>
Total liabilities	<u>\$ 58,408</u>

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, 2017

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 191 certified teaching and administrative personnel and 101 classified personnel to provide services to 1,989 students and other community members.

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, 2017

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

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

JOINTLY GOVERNED ORGANIZATION

Hamilton/Clermont Cooperative Association

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

PUBLIC ENTITY RISK POOL

Southwest Ohio Organization of School Health

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

In January 2017, SWOOSH offered health insurance through Anthem Blue Cross Blue Shield on a self-insured basis. Each SWOOSH member district retains its own plan, but the self-funding is an aggregate of the estimated claims and reserve build. All other insurance benefit offerings remain on a fully insured basis.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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, 2017

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

Bond retirement fund - The debt service fund is used to account for the resources restricted for the payment of general long-term debt principal, interest and related costs including the retirement of current interest term and serial bonds, capital appreciation bonds and both short-term and long-term notes and loans. All revenues derived from general or special levies, either within or exceeding the statutory unvoted ten mill limitation, which is levied for debt service on bonds or loans are paid into this fund.

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.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

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

During fiscal year 2017, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Treasury notes, a U.S. Government money market mutual funds, and investment in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2017, the District invested in STAR Ohio. 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 2017 amounted to \$98,025, which includes \$6,455 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. At June 30, 2017, the District had no material consumable inventory.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

Description	Governmental Activities Estimated Lives
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, 2017, 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, 2017, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental type activities columns of 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, 2017

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

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 11.

M. Fund Balance

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

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.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

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, 2017, 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.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. During fiscal year 2017, the District had no transfers.

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

S. Pensions

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

T. Parochial Schools

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

V. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 8,103
Title I	5,821

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

C. Restatement of Net Position

The District is reporting a prior period adjustment to properly report deferred outflows and inflows related to pension for State Teachers Retirement System (STRS) and pension expense. The governmental activities net position at June 30, 2016 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 9,469,489
Adjustment to restate previously reported	
STRS deferred outflows/inflows	<u>(825,097)</u>
Restated net position (deficit) at July 1, 2016	<u>\$ 8,644,392</u>

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$4,119,067. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, the entire bank balance of \$4,241,010 was covered by the FDIC.

B. Investments

As of June 30, 2017, the District had the following investments and maturities:

Measurement/ Investment type:	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLB	\$ 637,799	\$ -	\$ -	\$ -	\$ -	\$ 637,799
FNMA	6,626,564	1,351,205	498,290	602,898	302,325	3,871,846
FHLMC	2,801,884	502,971	506,040	-	302,022	1,490,851
U.S. Treasury notes	7,609,823	399,366	597,946	200,172	602,649	5,809,690
U.S. government money market mutual fund	299,255	299,255	-	-	-	-
Amortized Cost:						
STAR Ohio	<u>722,057</u>	<u>722,057</u>	-	-	-	-
Total	<u>\$ 18,697,382</u>	<u>\$ 3,274,854</u>	<u>\$ 1,602,276</u>	<u>\$ 803,070</u>	<u>\$ 1,206,996</u>	<u>\$ 11,810,186</u>

The weighted average maturity of investments is 2.53 years.

The District's investment in the U.S. Government money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FNMA, FHLMC) and U.S. Treasury notes are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 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, 2017:

Measurement/ Investment type:	Measurement	
	Value	% of Total
Fair Value:		
FHLB	\$ 637,799	3.41
FNMA	6,626,564	35.44
FHLMC	2,801,884	14.99
U.S. Treasury notes	7,609,823	40.70
U.S. government money market mutual fund	299,255	1.60
Amortized Cost:		
STAR Ohio	722,057	3.86
Total	\$ 18,697,382	100.00

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, 2017:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 4,119,067
Investments	18,697,382
Total	\$ 22,816,449

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 22,758,041
Agency fund	<u>58,408</u>
Total	<u>\$ 22,816,449</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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$9,850,000 in the general fund and \$1,400,000 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$9,563,133 in the general fund and \$1,330,878 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,191,597,700	98.95	\$ 1,198,509,650	99.09
Public utility personal	<u>12,640,540</u>	<u>1.05</u>	<u>11,054,110</u>	<u>0.91</u>
Total	<u>\$ 1,204,238,240</u>	<u>100.00</u>	<u>\$ 1,209,563,760</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$42.92		\$42.92	
Bond retirement	3.14		3.24	

NOTE 6 - PAYMENT IN LIEU OF TAXES

In accordance with State law, Sycamore Township (the "Township") has entered into tax increment financing (TIF) agreements. Under these agreements, the Township redirects, but does not abate, payments in lieu of taxes (PILOT) received on the incremental increase in the value of the property to help finance infrastructure improvements. The property owners' contractual promise to make these PILOT payments 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 PILOT payments. The Township has agreed to compensate the District with a portion of the collected PILOT, which amounted to \$4,272,445 during fiscal year 2017.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 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	\$ 28,504,734
Payments in lieu of taxes	4,823,428
Accounts	2,140
Accrued interest	60,575
Intergovernmental	<u>146,263</u>
Total	<u>\$ 33,537,140</u>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 – RECEIVABLES – (Continued)

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

NOTE 8 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End</u>
General fund	\$ 2,120,340
Other governmental	<u>223,058</u>
Total	<u>\$ 2,343,398</u>

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 2017, the District made its final principal and interest payments of \$18,000 and \$760, respectively, on the lease-purchase agreement. There is no remaining lease-purchase obligation remaining at June 30, 2017.

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, 2017, capital assets in the amount of \$2,584,364 have been capitalized.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 501,523	\$ -	\$ -	\$ 501,523
Construction in progress	1,497,885	1,073,415	(1,497,885)	1,073,415
<i>Total capital assets, not being depreciated</i>	<u>1,999,408</u>	<u>1,073,415</u>	<u>(1,497,885)</u>	<u>1,574,938</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,404,634	1,588,993	-	4,993,627
Buildings and improvements	64,844,940	-	-	64,844,940
Equipment and furniture	8,213,546	16,651	-	8,230,197
Vehicles	2,780,495	206,060	-	2,986,555
<i>Total capital assets, being depreciated</i>	<u>79,243,615</u>	<u>1,811,704</u>	<u>-</u>	<u>81,055,319</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,995,000)	(440,024)	-	(2,435,024)
Buildings and improvements	(24,608,082)	(1,488,347)	-	(26,096,429)
Equipment and furniture	(7,266,651)	(246,166)	-	(7,512,817)
Vehicles	(1,606,235)	(165,003)	-	(1,771,238)
<i>Total accumulated depreciation</i>	<u>(35,475,968)</u>	<u>(2,339,540)</u>	<u>-</u>	<u>(37,815,508)</u>
Total capital assets, net	<u>\$ 45,767,055</u>	<u>\$ 545,579</u>	<u>\$ (1,497,885)</u>	<u>\$ 44,814,749</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 975,867
Special	67,060
Vocational	13,246
<u>Support services:</u>	
Pupil	35,389
Instructional staff	153,889
Administration	40,805
Fiscal	569
Operations and maintenance	259,608
Pupil transportation	363,112
Operation of non-instructional services	19,408
Extracurricular activities	247,529
Food service operations	163,058
Total depreciation expense	<u>\$ 2,339,540</u>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2017, the following activity occurred in the governmental activities long-term obligations.

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/17</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General Obligation Bonds:</u>					
Series 2005 - refunding	\$ 8,415,000	\$ -	\$ (2,630,000)	\$ 5,785,000	\$ 2,795,000
Series 2006 - refunding	15,135,000	-	(15,135,000)	-	-
Series 2016 - refunding	<u>-</u>	<u>13,940,000</u>	<u>(85,000)</u>	<u>13,855,000</u>	<u>110,000</u>
Total general obligation bonds	<u>23,550,000</u>	<u>13,940,000</u>	<u>(17,850,000)</u>	<u>19,640,000</u>	<u>2,905,000</u>
<u>Other Long-Term Obligations:</u>					
Lease-purchase agreement	18,000	-	(18,000)	-	-
Net pension liability	50,743,156	9,342,364	-	60,085,520	-
Compensated absences	<u>1,457,620</u>	<u>316,496</u>	<u>(115,635)</u>	<u>1,658,481</u>	<u>192,738</u>
Total other long-term obligations	<u>52,218,776</u>	<u>9,658,860</u>	<u>(133,635)</u>	<u>61,744,001</u>	<u>192,738</u>
Total governmental activities	<u>\$ 75,768,776</u>	<u>\$ 23,598,860</u>	<u>\$ (17,983,635)</u>	81,384,001	<u>\$ 3,097,738</u>
Add: unamortized premium on bonds				<u>1,628,834</u>	
Total on statement of net position				<u>\$ 83,012,835</u>	

General Obligation Bonds

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

Lease Purchase Agreement

The lease purchase agreement is being repaid from the general fund. See Note 9 for more detail on the District's lease-purchase agreement.

Net Pension Liability

More information on the District's net pension liability information can be found in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Series 2005 General Obligation Refunding Bonds

On July 19, 2005, the District issued Series 2005 General Obligation Refunding Bonds (Series 2005 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.

The Series 2001 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 Series 2005 Refunding Bonds 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, 2017, the balance of the refunded bonds was \$16,670,000.

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

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, 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, 2017 are as follows:

<u>Fiscal Year</u>	<u>Current Interest Bonds - Series 2005</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,795,000	\$ 219,375	\$ 3,014,375
2019	<u>2,990,000</u>	<u>74,750</u>	<u>3,064,750</u>
Total	<u>\$ 5,785,000</u>	<u>\$ 294,125</u>	<u>\$ 6,079,125</u>

C. Series 2006 General Obligation Refunding Bonds

On December 13, 2006, the District issued Series 2006 General Obligation Refunding Bonds (Series 2006 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. During fiscal year 2017, the Series 2006 Refunding Bonds were advance refunded through the issuance of the Series 2016 Refunding Bonds.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The Series 2006 Refunding Bonds that were advance refunded in fiscal year 2017 were originally scheduled to mature on December 1, 2019 through December 1, 2023. Proceeds of the Series 2006 Refunding Bonds 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, 2017, the balance of the refunded bonds was \$15,285,000.

Interest payments on Series 2006 Refunding Bonds were due on June 1 and December 1 of each year.

D. Series 2016 General Obligation Refunding Bonds

On September 14, 2016, the District issued Series 2016 General Obligation Refunding Bonds (Series 2016 Refunding Bonds) to advance refund the callable portion of the Series 2006 Refunding Bonds (principal \$15,015,000; interest rate of 4.00% to 4.75%). Issuance proceeds of \$15,332,019 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. The balance of the refunded bonds was \$15,015,000 at June 30, 2017.

The Series 2016 Refunding Bonds are comprised of current interest bonds, par value \$13,940,000. The interest rate on the current interest bonds range from 2.00% to 5.00%.

The reacquisition price exceeded the net carrying amount of the old debt (including unamortized deferred changes and unamortized premiums) by \$541,394. 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. The refunding was undertaken to reduce future debt service payments by \$330,887.

Payments of principal and interest relating to the Series 2016 Refunding Bonds are recorded as expenditures in the bond retirement fund. Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2027.

Principal and interest requirements to retire the Series 2016 Refunding Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year	Current Interest Bonds - Series 2016		
	Principal	Interest	Total
2018	\$ 110,000	\$ 468,337	\$ 578,337
2019	165,000	465,588	630,588
2020	1,220,000	439,537	1,659,537
2021	1,270,000	389,738	1,659,738
2022	1,370,000	336,937	1,706,937
2023-2027	7,885,000	912,601	8,797,601
2028	1,835,000	25,231	1,860,231
Total	<u>\$ 13,855,000</u>	<u>\$ 3,037,969</u>	<u>\$ 16,892,969</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. 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 margin 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 calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$92,970,725 (including available funds of \$3,749,987) and an unvoted debt margin of \$1,209,564.

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.

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$707,289 for fiscal year 2017. Of this amount, \$28,278 is reported as pension benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,227,899 for fiscal year 2017. Of this amount, \$228,470 is reported as pension benefits payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.15787490%	0.15100969%	
Proportion of the net pension liability current measurement date	<u>0.15464140%</u>	<u>0.14569108%</u>	
Change in proportionate share	<u>(0.00323350)%</u>	<u>(0.00531861)%</u>	
Proportionate share of the net pension liability	\$ 11,318,324	\$ 48,767,196	\$ 60,085,520
Pension expense	\$ 1,236,491	\$ 4,321,243	\$ 5,557,734

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 152,656	\$ 1,970,428	\$ 2,123,084
Net difference between projected and actual earnings on pension plan investments	933,596	4,048,987	4,982,583
Changes of assumptions	755,560	-	755,560
Difference between District contributions and proportionate share of contributions/ change in proportionate share	164,096	3,059,442	3,223,538
District contributions subsequent to the measurement date	707,289	2,227,899	2,935,188
Total deferred outflows of resources	\$ 2,713,197	\$ 11,306,756	\$ 14,019,953
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	\$ 141,499	\$ 1,233,344	\$ 1,374,843

\$2,935,188 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 485,908	\$ 1,664,534	\$ 2,150,442
2019	485,234	1,664,533	2,149,767
2020	624,898	3,218,242	3,843,140
2021	268,369	1,298,204	1,566,573
Total	\$ 1,864,409	\$ 7,845,513	\$ 9,709,922

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 14,984,755	\$ 11,318,324	\$ 8,249,368

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 64,807,641	\$ 48,767,196	\$ 35,236,135

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2017. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$81,947.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$81,947, \$76,118, and \$90,374, respectively. The fiscal year 2017 amount has been reported as pension benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the District's contributions were allocated to fund health care for fiscal years ended June 30, 2017, 2016, and 2015.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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).

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	\$ (4,109,097)
Net adjustment for revenue accruals	267,692
Net adjustment for expenditure accruals	(475,846)
Net adjustment for other sources/uses	2,804
Funds budgeted elsewhere	3,834
Adjustment for encumbrances	2,665,542
GAAP basis	\$ (1,645,071)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund and the public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

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

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

Terms of the Settlement

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - CONTINGENCIES - (Continued)

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

As of June 30, 2016, the District has paid \$5,500,000 to the Claims Settlement Fund which is administered by Burke Rosen & Associates, Cleveland, Ohio. During fiscal year 2017, Burke Rosen & Associates has reconciled all accounts and all 1099s were issued to refund recipients for tax year 2016. At June 30, 2017, the District has no remaining obligation under the Settlement.

C. Foundation funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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.

	Capital <u>Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	344,886
Current year qualifying expenditures	<u>(1,335,464)</u>
Total	<u>\$ (990,578)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 18 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 2,826</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15464140%	0.15787490%	0.15158800%	0.15158800%
District's proportionate share of the net pension liability	\$ 11,318,324	\$ 9,008,495	\$ 7,671,782	\$ 9,014,452
District's covered payroll	\$ 4,760,650	\$ 4,682,458	\$ 4,449,336	\$ 3,818,064
District's proportionate share of the net pension liability as a percentage of its covered payroll	237.75%	192.39%	172.43%	236.10%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.14569108%	0.15100969%	0.13322101%	0.13322101%
District's proportionate share of the net pension liability	\$ 48,767,196	\$ 41,734,661	\$ 32,403,960	\$ 38,599,385
District's covered payroll	\$ 15,385,029	\$ 16,072,357	\$ 14,658,546	\$ 14,443,892
District's proportionate share of the net pension liability as a percentage of its covered payroll	316.98%	259.67%	221.06%	267.24%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 707,289	\$ 666,491	\$ 617,148	\$ 616,678
Contributions in relation to the contractually required contribution	<u>(707,289)</u>	<u>(666,491)</u>	<u>(617,148)</u>	<u>(616,678)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,052,064	\$ 4,760,650	\$ 4,682,458	\$ 4,449,336
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 528,420	\$ 541,544	\$ 528,435	\$ 556,439	\$ 394,768	\$ 386,749
<u>(528,420)</u>	<u>(541,544)</u>	<u>(528,435)</u>	<u>(556,439)</u>	<u>(394,768)</u>	<u>(386,749)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,818,064	\$ 4,026,349	\$ 4,203,938	\$ 4,109,594	\$ 4,011,870	\$ 3,938,381
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,227,899	\$ 2,153,904	\$ 2,250,130	\$ 1,905,611
Contributions in relation to the contractually required contribution	<u>(2,227,899)</u>	<u>(2,153,904)</u>	<u>(2,250,130)</u>	<u>(1,905,611)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,913,564	\$ 15,385,029	\$ 16,072,357	\$ 14,658,546
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$ 1,877,706	\$ 1,956,088	\$ 1,980,167	\$ 1,946,419	\$ 1,920,373	\$ 1,902,337
<u>(1,877,706)</u>	<u>(1,956,088)</u>	<u>(1,980,167)</u>	<u>(1,946,419)</u>	<u>(1,920,373)</u>	<u>(1,902,337)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,443,892	\$ 15,046,831	\$ 15,232,054	\$ 14,972,454	\$ 14,772,100	\$ 14,633,362
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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

**SCHEDULE OF REVENUES AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Revenues	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	10.555	3L60	59,803	51,558
Total U.S. Department of Agriculture - Total Child Nutrition Cluster			59,803	51,558
U.S. DEPARTMENT OF EDUCATION Passed Through Ohio Department of Education				
Title I, Part A Cluster:				
Grants to Local Education Agencies (Title I)	84.010	3M00	169,525	191,487
Total Title I, Part A			169,525	191,487
Special Education Cluster:				
Special Education Grants to States (IDEA part B)	84.027	3M20	598,901	589,588
IDEA Preschool Grant	84.173	3C50	4,162	4,162
Total Special Education Cluster			603,063	593,750
Title II-A - Improving Teacher Quality	84.367	3Y60	39,732	44,262
Passed Through the Great Oak Institute of Technology & Career Development				
Carl Perkins Vocational Education	84.038	N/A	4,000	4,000
Total U.S. Department of Education			816,320	833,499
Total Expenditures of Federal Awards			\$876,123	\$885,057

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Indian Hill Exempted Village School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

Indian Hill Exempted Village School District does not have subrecipients.

NOTE D - 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 E – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Hill Exempted Village School District, Hamilton County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 15, 2018



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Indian Hill Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Indian Hill Exempted Village School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. 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 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 15, 2018

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**