



***INDIAN HILL EXEMPTED
VILLAGE SCHOOL DISTRICT***

HAMILTON COUNTY, OHIO

SINGLE AUDIT

For the Year Ended June 30, 2002

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS





Auditor of State
Betty Montgomery

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Board of Education
Indian Hill Exempted Village School District
6855 Drake Road
Cincinnati, Ohio 45243

We have reviewed the Independent Auditor's Report of the Indian Hill Exempted Village School District, Hamilton County, prepared by J.L. Uhrig & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Indian Hill Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 3, 2003

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HAMILTON COUNTY, OHIO
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Independent Auditor's Report

Board of Education
Indian Hill Exempted Village School District
6855 Drake Road
Cincinnati, Ohio 45243

We have audited the accompanying general purpose financial statements of the Indian Hill Exempted Village School District (the District) as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

J. L. Uhrig & Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 23, 2002

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash, cash equivalents and investments	\$ 10,331,624	\$ 276,365	\$ 1,099,563	\$ 41,356,400
Cash with fiscal agent	-	-	28,494	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	16,788,469	-	3,180,789	-
Accounts	-	9,108	-	-
Accrued interest	486,716	-	-	-
Due from other governments	-	109,471	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	4,276	-	-	110,208
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 27,611,085</u>	<u>\$ 394,944</u>	<u>\$ 4,308,846</u>	<u>\$ 41,466,608</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 163,086	\$ 9,175	\$ -	\$ -
Contracts payable	-	-	-	486,952
Accrued wages and benefits	1,742,969	30,151	-	-
Compensated absences payable	106,592	-	-	-
Pension obligation payable	327,237	4,028	-	-
Deferred revenue	12,141,141	-	2,172,318	-
Due to other governments	51,183	1,133	-	-
Due to students	-	-	-	-
Matured bonds payable	-	-	28,494	-
General obligation bonds payable	-	-	-	-
Obligation under capital lease	-	-	-	-
Total liabilities	<u>14,532,208</u>	<u>44,487</u>	<u>2,200,812</u>	<u>486,952</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	36,264	98,318	-	2,752,506
Reserved for prepayments	4,276	-	-	110,208
Reserved for debt service	-	-	1,118,034	-
Reserved for tax revenue unavailable for appropriation.	4,982,433	-	990,000	-
Unreserved-undesignated	8,055,904	252,139	-	38,116,942
Total equity and other credits	<u>13,078,877</u>	<u>350,457</u>	<u>2,108,034</u>	<u>40,979,656</u>
Total liabilities, equity and other credits	<u>\$ 27,611,085</u>	<u>\$ 394,944</u>	<u>\$ 4,308,846</u>	<u>\$ 41,466,608</u>

See accompanying notes to the financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 156,027	\$ 57,596	\$ -	\$ -	\$ 53,277,575
-	-	-	-	28,494
-	-	-	-	19,969,258
12,283	-	-	-	21,391
-	-	-	-	486,716
3,298	-	-	-	112,769
20,466	-	-	-	20,466
-	-	-	-	114,484
8,824	-	28,960,134	-	28,968,958
-	-	-	2,108,034	2,108,034
-	-	-	48,508,669	48,508,669
<u>\$ 200,898</u>	<u>\$ 57,596</u>	<u>\$ 28,960,134</u>	<u>\$ 50,616,703</u>	<u>\$ 153,616,814</u>
\$ 43,325	\$ -	\$ -	\$ -	\$ 215,586
-	-	-	-	486,952
-	-	-	-	1,773,120
-	-	-	973,565	1,080,157
5,849	-	-	150,912	488,026
847	-	-	-	14,314,306
-	-	-	-	52,316
-	45,484	-	-	45,484
-	-	-	-	28,494
-	-	-	49,125,000	49,125,000
-	-	-	367,226	367,226
<u>50,021</u>	<u>45,484</u>	<u>-</u>	<u>50,616,703</u>	<u>67,976,667</u>
-	-	28,960,134	-	28,960,134
1,030	-	-	-	1,030
149,847	-	-	-	149,847
-	-	-	-	2,887,088
-	-	-	-	114,484
-	-	-	-	1,118,034
-	-	-	-	5,972,433
-	12,112	-	-	46,437,097
<u>150,877</u>	<u>12,112</u>	<u>28,960,134</u>	<u>-</u>	<u>85,640,147</u>
<u>\$ 200,898</u>	<u>\$ 57,596</u>	<u>\$ 28,960,134</u>	<u>\$ 50,616,703</u>	<u>\$ 153,616,814</u>

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INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 15,459,568	\$ -	\$ 2,975,802	\$ -	\$ -	\$ 18,435,370
Earnings on investments	3,082,094	6,349	-	-	-	3,088,443
Extracurricular	36,195	161,011	-	-	-	197,206
Other local revenues	27,353	10,142	-	-	-	37,495
Other revenue	1,887,063	-	-	-	-	1,887,063
Intergovernmental - State	2,977,124	1,016,790	371,959	-	-	4,365,873
Intergovernmental - Federal	-	345,499	-	-	-	345,499
Total revenue	<u>23,469,397</u>	<u>1,539,791</u>	<u>3,347,761</u>	<u>-</u>	<u>-</u>	<u>28,356,949</u>
Expenditures:						
Current:						
Instruction:						
Regular	9,885,771	12,414	-	-	-	9,898,185
Special	1,933,715	69,562	-	-	-	2,003,277
Vocational	119,034	-	-	-	-	119,034
Other	20,287	-	-	-	-	20,287
Support services:						
Pupil	1,516,535	17,990	-	-	-	1,534,525
Instructional staff	1,509,225	188,057	-	31,220	-	1,728,502
Board of Education	19,983	-	-	-	-	19,983
Administration	1,630,013	-	-	-	-	1,630,013
Fiscal	537,715	-	22,799	-	-	560,514
Business	54,225	-	-	-	-	54,225
Operations and maintenance	1,973,520	-	-	-	-	1,973,520
Pupil transportation	1,191,265	2,697	-	-	-	1,193,962
Central	46,363	-	-	-	-	46,363
Community services	33,407	977,477	-	-	250	1,011,134
Extracurricular activities	443,620	172,251	-	-	-	615,871
Facilities acquisition and construction	-	-	-	7,124,471	-	7,124,471
Capital outlay	232,000	-	-	-	-	232,000
Debt service:						
Principal retirement	185,685	-	475,000	-	-	660,685
Interest and fiscal charges	56,985	-	2,831,384	-	-	2,888,369
Total expenditures	<u>21,389,348</u>	<u>1,440,448</u>	<u>3,329,183</u>	<u>7,155,691</u>	<u>250</u>	<u>33,314,920</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,080,049</u>	<u>99,343</u>	<u>18,578</u>	<u>(7,155,691)</u>	<u>(250)</u>	<u>(4,957,971)</u>
Other financing sources (uses):						
Operating transfers in	-	6,707	-	-	-	6,707
Operating transfers out	(6,684)	(23)	-	-	-	(6,707)
Proceeds of capital lease transaction	232,000	-	-	-	-	232,000
Proceeds from sale of fixed assets	6,738	-	-	-	-	6,738
Total other financing sources (uses)	<u>232,054</u>	<u>6,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,738</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	2,312,103	106,027	18,578	(7,155,691)	(250)	(4,719,233)
Fund balances, July 1	<u>10,766,774</u>	<u>244,430</u>	<u>2,089,456</u>	<u>48,135,347</u>	<u>12,362</u>	<u>61,248,369</u>
Fund balances, June 30	<u>\$ 13,078,877</u>	<u>\$ 350,457</u>	<u>\$ 2,108,034</u>	<u>\$ 40,979,656</u>	<u>\$ 12,112</u>	<u>\$ 56,529,136</u>

See accompanying notes to the financial statements

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 15,893,674	\$ 15,888,072	\$ (5,602)	\$ -	\$ -	\$ -
Earnings on investments	2,935,150	2,934,115	(1,035)	7,864	7,376	(488)
Extracurricular	40,214	40,200	(14)	171,657	161,011	(10,646)
Other local revenues	27,363	27,353	(10)	1,505	1,412	(93)
Other revenue	1,883,100	1,882,436	(664)	17,058	16,000	(1,058)
Intergovernmental - State	2,978,174	2,977,124	(1,050)	1,080,343	1,013,340	(67,003)
Intergovernmental - Federal	-	-	-	256,395	240,493	(15,902)
Total revenues	<u>23,757,675</u>	<u>23,749,300</u>	<u>(8,375)</u>	<u>1,534,822</u>	<u>1,439,632</u>	<u>(95,190)</u>
Expenditures:						
Current:						
Instruction:						
Regular	9,835,193	9,808,221	26,972	8,901	7,191	1,710
Special	1,919,219	1,913,955	5,264	91,716	74,096	17,620
Vocational	121,281	120,948	333	-	-	-
Other	20,343	20,287	56	-	-	-
Support services:						
Pupil	1,542,170	1,537,941	4,229	29,137	23,539	5,598
Instructional staff	1,735,456	1,730,696	4,760	231,660	186,672	44,988
Board of Education	19,918	19,863	55	-	-	-
Administration	1,658,417	1,653,869	4,548	-	-	-
Fiscal	525,813	524,371	1,442	-	-	-
Business	54,268	54,119	149	-	-	-
Operations and maintenance	1,922,919	1,917,645	5,274	-	-	-
Pupil transportation	1,186,516	1,183,262	3,254	2,742	2,698	44
Central	49,955	49,818	137	-	-	-
Community services	32,977	32,887	90	1,314,124	1,061,663	252,461
Extracurricular activities	436,290	435,093	1,197	214,723	173,472	41,251
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>21,060,735</u>	<u>21,002,975</u>	<u>57,760</u>	<u>1,893,003</u>	<u>1,529,331</u>	<u>363,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,696,940</u>	<u>2,746,325</u>	<u>49,385</u>	<u>(358,181)</u>	<u>(89,699)</u>	<u>268,482</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	7,150	6,707	(443)
Operating transfers out	(6,702)	(6,684)	18	(28)	(23)	5
Proceeds from sale of fixed assets	6,740	6,738	(2)	-	-	-
Refund of prior year's receipts	-	-	-	(21,017)	(16,979)	4,038
Refund of prior year expenditure	4,629	4,627	(2)	-	-	-
Total other financing sources (uses)	<u>4,667</u>	<u>4,681</u>	<u>14</u>	<u>(13,895)</u>	<u>(10,295)</u>	<u>3,600</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>2,701,607</u>	<u>2,751,006</u>	<u>49,399</u>	<u>(372,076)</u>	<u>(99,994)</u>	<u>272,082</u>
Fund balances, July 1	6,991,395	6,991,395	-	127,409	127,409	-
Prior year encumbrances appropriated	57,778	57,778	-	143,259	143,259	-
Fund balances, June 30	<u>\$ 9,750,780</u>	<u>\$ 9,800,179</u>	<u>\$ 49,399</u>	<u>\$ (101,408)</u>	<u>\$ 170,674</u>	<u>\$ 272,082</u>

See accompanying notes to the financial statements

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 3,062,874	\$ 3,062,874	\$ -	\$ -	\$ -	\$ -	\$ 18,956,548	\$ 18,950,946	\$ (5,602)
-	-	-	-	-	-	2,943,014	2,941,491	(1,523)
-	-	-	-	-	-	211,871	201,211	(10,660)
-	-	-	-	-	-	28,868	28,765	(103)
-	-	-	-	-	-	1,900,158	1,898,436	(1,722)
371,959	371,959	-	-	-	-	4,430,476	4,362,423	(68,053)
-	-	-	-	-	-	256,395	240,493	(15,902)
<u>3,434,833</u>	<u>3,434,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,727,330</u>	<u>28,623,765</u>	<u>(103,565)</u>
-	-	-	-	-	-	9,844,094	9,815,412	28,682
-	-	-	-	-	-	2,010,935	1,988,051	22,884
-	-	-	-	-	-	121,281	120,948	333
-	-	-	-	-	-	20,343	20,287	56
-	-	-	-	-	-	1,571,307	1,561,480	9,827
-	-	-	31,220	31,220	-	1,998,336	1,948,588	49,748
-	-	-	-	-	-	19,918	19,863	55
-	-	-	-	-	-	1,658,417	1,653,869	4,548
73,000	23,280	49,720	-	-	-	598,813	547,651	51,162
-	-	-	-	-	-	54,268	54,119	149
-	-	-	-	-	-	1,922,919	1,917,645	5,274
-	-	-	-	-	-	1,189,258	1,185,960	3,298
-	-	-	-	-	-	49,955	49,818	137
-	-	-	-	-	-	1,347,101	1,094,550	252,551
-	-	-	-	-	-	651,013	608,565	42,448
-	-	-	48,438,320	10,201,935	38,236,385	48,438,320	10,201,935	38,236,385
475,000	475,000	-	-	-	-	475,000	475,000	-
2,852,000	2,851,831	169	-	-	-	2,852,000	2,851,831	169
<u>3,400,000</u>	<u>3,350,111</u>	<u>49,889</u>	<u>48,469,540</u>	<u>10,233,155</u>	<u>38,236,385</u>	<u>74,823,278</u>	<u>36,115,572</u>	<u>38,707,706</u>
<u>34,833</u>	<u>84,722</u>	<u>49,889</u>	<u>(48,469,540)</u>	<u>(10,233,155)</u>	<u>38,236,385</u>	<u>(46,095,948)</u>	<u>(7,491,807)</u>	<u>38,604,141</u>
-	-	-	-	-	-	7,150	6,707	(443)
-	-	-	-	-	-	(6,730)	(6,707)	23
-	-	-	-	-	-	6,740	6,738	(2)
-	-	-	-	-	-	(21,017)	(16,979)	4,038
-	-	-	-	-	-	4,629	4,627	(2)
-	-	-	-	-	-	(9,228)	(5,614)	3,614
34,833	84,722	49,889	(48,469,540)	(10,233,155)	38,236,385	(46,105,176)	(7,497,421)	38,607,755
1,014,841	1,014,841	-	42,975,052	42,975,052	-	51,108,697	51,108,697	-
-	-	-	5,494,488	5,494,488	-	5,695,525	5,695,525	-
<u>\$ 1,049,674</u>	<u>\$ 1,099,563</u>	<u>\$ 49,889</u>	<u>\$ -</u>	<u>\$ 38,236,385</u>	<u>\$ 38,236,385</u>	<u>\$ 10,699,046</u>	<u>\$ 49,306,801</u>	<u>\$ 38,607,755</u>

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

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services	\$ 778,028
Total operating revenues	778,028
Operating expenses:	
Personal services	5,849
Contract services	710
Materials and supplies	921,995
Depreciation	1,176
Other	36
Total operating expenses	929,766
Operating loss	(151,738)
Nonoperating revenues:	
Operating grants	24,365
Federal commodities	22,257
Interest revenue	3,143
Total nonoperating revenues	49,765
Net loss	(101,973)
Addback of depreciation on fixed assets acquired from contributed capital	228
Retained earnings, July 1.	251,592
Retained earnings, June 30	\$ 149,847

See accompanying notes to the financial statements

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 765,745
Cash payments for contract services	(710)
Cash payments for materials and supplies.	(868,427)
Cash payments for other expenses	(36)
Net cash used in operating activities	(103,428)
Cash flows from noncapital financing activities:	
Cash received from operating grants	24,337
Net cash provided by noncapital financing activities	24,337
Cash flows from investing activities:	
Interest received	3,680
Net cash provided by investing activities.	3,680
Net decrease in cash and cash equivalents	(75,411)
Cash and cash equivalents at beginning of year	231,438
Cash and cash equivalents at end of year.	\$ 156,027
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (151,738)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.	1,176
Federal donated commodities	22,257
Changes in assets and liabilities:	
Increase in materials and supplies inventory.	(11,455)
Increase in accounts receivable	(12,283)
Increase in accounts payable.	43,140
Increase in pension obligation payable.	5,849
Decrease in deferred revenue.	(374)
Net cash used in operating activities	\$ (103,428)

See accompanying notes to the financial statements

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

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 authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District’s instructional and support facilities staffed by 94 non-certified personnel and 234 certified teaching and administrative personnel to provide services to 2,250 students and other community members, which ranks it 243rd out of approximately 705 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

Reporting Entity

The District’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

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

JOINTLY GOVERNED ORGANIZATION

The Hamilton/Clermont Cooperative Association (HCCA):

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium. HCCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of 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. The District paid HCCA \$11,104 for services provided during the year. Financial information can be obtained from the HCCA Board of Education, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

PUBLIC ENTITY RISK POOL

The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, and insurance purchasing pool. See Note 11 for further detail on this insurance purchasing pool.

Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types.

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; agency funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

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

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO

Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at fiscal year-end.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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.

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

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within The amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal.
9. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with school district funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds (if any) are disclosed in Note 12.

Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the combined balance sheet.

During fiscal 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), money market, U.S. Treasury Notes and Federal Agency securities.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2002 amounted to \$3,082,094 which includes \$2,606,733 assigned from other District funds.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at fiscal year-end is provided in Note 4.

Inventory

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

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

Prepays

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

Fixed Assets and Depreciation

General Fixed Assets Account Group

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

Proprietary Funds

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

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	8 - 20

Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise fund in 2002. Contributed capital in the enterprise fund at June 30, 2002, is \$1,030.

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty (50) years of age, with at least ten (10) years of service, or twenty (20) years of service at any age were included.

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

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Fund Equity

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

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

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

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

Parochial Schools

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

Estimates

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

Memorandum Only - Total Columns

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

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE

Estimated Resources

The District had one fund with appropriations that exceeded estimated resources. The appropriations in the Auxiliary Special Revenue Fund exceeded estimated resources by \$133,576.

Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized on the combined balance sheet:

Accounts payable	\$2,070
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

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

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

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 4 - EQUITY IN POOLED CASH 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits: At fiscal year-end the carrying amount of the District’s deposits was \$301,995 and the bank balance was \$594,277 (both amounts are exclusive of payroll clearance accounts). Of the bank balance:

1. \$128,494 was covered by federal depository insurance; and
2. \$465,783 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category of Risk		Fair Value
	1	3	
Money market	\$	\$4,193,441	\$ 4,193,441
Federal agency securities	48,221,780		48,221,780
Not subject to categorization:			
Investment in STAR Ohio	_____	_____	588,853
Total investments	<u>\$48,221,780</u>	<u>\$4,193,441</u>	<u>\$53,004,074</u>

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 53,277,575	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(588,853)	588,853
Federal agency securities	(48,221,780)	48,221,780
Money market	(4,193,441)	4,193,441
Cash with fiscal agent	28,494	0
GASB Statement No. 3	<u>\$ 301,995</u>	<u>\$53,004,074</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$6,684
<u>Special Revenue Funds</u>		
District-Managed Student Activity	6,684	23
Public School Support	23	0
Totals	<u>\$6,707</u>	<u>\$6,707</u>

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES

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

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

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

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

The assessed value upon which the 2002 taxes were collected was \$830,885,170. Agricultural/residential and public utility/minerals real estate represented 82.69% or \$687,094,560 of this total; Commercial & industrial real estate represented 11.73% or \$97,429,460 of this total; public utility tangible represented 1.32% or \$10,964,810 of this total and general tangible property represented 4.26% or \$35,396,340 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$42.92 per \$1,000.00 of assessed valuation for operations.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$4,982,433 in the general fund and \$990,000 in the debt service fund.

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$16,788,469
Accrued interest	486,716
<u>Special Revenue Funds</u>	
Accounts	9,108
Due from other governments	109,471
<u>Debt Service Fund</u>	
Taxes - current and delinquent	3,180,789
<u>Enterprise Funds</u>	
Accounts	12,283
Due from other governments	3,298

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 545,829	\$ 0	\$ 0	\$ 545,829
Buildings	13,985,998	17,045	0	14,003,043
Furniture/equipment	4,357,844	336,574	(194,505)	4,499,913
Vehicles	2,336,182	0	(444,617)	1,891,565
Construction in progress	1,001,230	7,018,554	0	8,019,784
Total	<u>\$22,227,083</u>	<u>\$7,372,173</u>	<u>\$(639,122)</u>	<u>\$28,960,134</u>

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 161,364
Less: accumulated depreciation	(152,540)
Net fixed assets	<u>\$ 8,824</u>

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2002, the District entered into a new capital lease for the acquisition of school buses. This new lease is accounted for as a capital outlay expenditure with an offsetting amount reported as an other financing source under proceeds of capital lease transaction. In prior years, the District has entered into capitalized leases for the acquisition of computer equipment and musical instruments. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$771,478, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$185,685. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002.

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>School Buses</u>	<u>Computer Equipment</u>	<u>Musical Instruments</u>	<u>Total</u>
2003	\$ 52,784	\$111,206	\$15,373	\$ 179,363
2004	103,729	17,554	0	121,283
2005	103,452	0	0	103,452
2006	101,583	0	0	101,583
2007	<u>98,369</u>	<u>0</u>	<u>0</u>	<u>98,369</u>
Total future minimum lease payments	459,917	128,760	15,373	604,050
Less: amount representing interest				<u>(236,824)</u>
Present value of future minimum lease payments				<u>\$ 367,226</u>

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

NOTE 10 - LONG-TERM OBLIGATIONS

On April 1, 2001, the District issued \$49,600,000 in general obligation bonds (Series 2001, School Facilities Improvement Bonds). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund. The source of payment is derived from a current 4.18 (average) mill bonded debt tax levy.

This issue is comprised of current interest serial bonds, par value \$31,070,000, and current interest term bonds, par value \$18,530,000.

The bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amount as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
2019	\$3,245,000

Unless previously redeemed, the remaining principal amount of \$3,465,000 will mature at stated maturity (December 1, 2020).

The bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amount as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
2021	\$3,695,000
2022	3,935,000

Unless previously redeemed, the remaining principal amount of \$4,190,000 will mature at stated maturity (December 1, 2023).

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The bonds maturing on or after December 1, 2012, are subject to optional redemption, in whole or in part on any date at the option of the District on or after December 1, 2011, at par.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2003	\$ 900,000	\$ 2,414,213	\$ 3,314,213
2004	1,000,000	2,376,213	3,376,213
2005	1,075,000	2,334,713	3,409,713
2006	1,160,000	2,290,013	3,450,013
2007	1,255,000	2,241,713	3,496,713
2008 - 2012	7,910,000	10,214,582	18,124,582
2013 - 2017	11,425,000	7,808,938	19,233,938
2018 - 2022	16,275,000	4,180,450	20,455,450
2023 - 2024	<u>8,125,000</u>	<u>412,625</u>	<u>8,537,625</u>
Total	<u>\$49,125,000</u>	<u>\$34,273,460</u>	<u>\$83,398,460</u>

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group.

	<u>Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
General obligation bonds payable	\$49,600,000	\$ 0	\$(475,000)	\$49,125,000
Compensated absences	891,681	81,884	0	973,565
Pension obligation payable	144,032	150,912	(144,032)	150,912
Obligation under capital lease	<u>320,911</u>	<u>232,000</u>	<u>(185,685)</u>	<u>367,226</u>
Total	<u>\$50,956,624</u>	<u>\$464,796</u>	<u>\$(804,717)</u>	<u>\$50,616,703</u>

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences and pension obligations representing the District's contractually required pension contribution, will be paid from the fund from which the employees' salaries are paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values.

Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district.

The effects of these debt limitations for the District at June 30, 2002 are a voted debt margin of \$27,762,699 (including available funds of \$2,108,034) and an unvoted debt margin of \$830,885.

NOTE 11 - RISK MANAGEMENT

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year, the District contracted with Indiana Insurance Company for general liability insurance with a \$1,000,000 single occurrence and a \$2,000,000 aggregate. Property insurance carries a \$1,000 deductible.

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

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

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 11 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2001.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

OSBA WORKERS' COMPENSATION GROUP RATING

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 721,725	\$56,303	\$ 778,028
Depreciation expense	1,176	0	1,176
Operating income/(loss)	(169,857)	18,119	(151,738)
Operating grants	24,365	0	24,365
Donated federal commodities	22,257	0	22,257
Net income/(loss)	(120,092)	18,119	(101,973)
Net working capital	102,795	45,107	147,902
Total assets	155,573	45,325	200,898
Total liabilities	49,803	218	50,021
Contributed capital	1,030	0	1,030
Total fund equity	105,770	45,107	150,877

NOTE 13 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$159,304, \$131,747, and \$167,728, respectively; 63.05 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$58,856, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,076,075, \$1,036,653, and \$598,595, respectively; 84.13 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$170,720, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$509,720 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$259,238 during the 2002 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been reclassified accordingly.

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

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>
Budget basis	\$2,751,006	\$ (99,994)	\$ 84,722	\$(10,233,155)
Net adjustment for revenue accruals	(279,903)	100,159	(87,072)	0
Net adjustment for expenditure accruals	(431,485)	(16,808)	481	(42,551)
Net adjustment for other financing sources/(uses)	227,373	16,979	20,447	0
Adjustment for encumbrances	<u>45,112</u>	<u>105,691</u>	<u>0</u>	<u>3,120,015</u>
GAAP basis	<u>\$2,312,103</u>	<u>\$106,027</u>	<u>\$ 18,578</u>	<u>\$ (7,155,691)</u>

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 16 - CONTINGENCIES

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

Litigation

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

School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

NOTE 17 - OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2002, the District had the following outstanding contractual commitments:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Baxter, Hodell & Donnelly	\$3,050,461	\$2,166,877	\$ 883,584
Evans Landscaping	67,800	0	67,800
Peck, Shaffer and Williams	48,000	13,012	34,988
Re Forshee	162,995	0	162,995
Ruscilli Construction	<u>2,711,136</u>	<u>914,567</u>	<u>1,796,569</u>
Total	<u>\$6,040,392</u>	<u>\$3,094,456</u>	<u>\$2,945,936</u>

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Notes to General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of July 1, 2001	\$(353,756)	\$ 0
Current year set-aside requirement	275,675	275,675
Qualifying disbursements	<u>(468,775)</u>	<u>(7,081,921)</u>
Total	<u>(546,856)</u>	<u>(6,806,246)</u>
Cash balance carried forward to FY 2003	<u>(546,856)</u>	<u>(6,806,246)</u>
Set-aside Reserve Balances as of June 30, 2002	<u>\$ 0</u>	<u>\$ 0</u>

The District had qualifying disbursements during the year for instructional materials and capital acquisition that reduced the set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years for the instructional materials and capital acquisition set-asides.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Lunch Program	04-PU 2002	10.555	\$23,991	\$23,991
Total U.S. Department of Agriculture			23,991	23,991
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1-01	84.010	12,606	25,590
Title I Grants to Local Educational Agencies	C1-S1-02	84.010	54,299	59,107
			66,905	84,697
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-01	84.027	0	2,527
Special Education - Grants to States (IDEA Part B)	6B-SF-02	84.027	110,645	125,554
Special Education - Handicapped Preschool	PG-S1-02P	84.173	4,682	4,682
			115,327	132,763
Emergency Immigrant Education	E1-S1-01	84.162	1,015	4,722
Safe and Drug-Free Schools and Communities	DR-S1-01	84.186	0	2,223
Safe and Drug-Free Schools and Communities	DR-S1-02	84.186	6,750	9,033
			6,750	11,256
Eisenhower Professional Development Grant	MS-S1 2001	84.281	0	6,485
Eisenhower Professional Development Grant	MS-S1 2002	84.281	9,854	4,545
			9,854	11,030
Innovative Educational Program Strategies	C2-S1-01	84.298	0	12,327
Innovative Educational Program Strategies	C2-S1-02	84.298	12,342	11,499
			12,342	23,826
Class Size Reduction	CR-S1 2001	84.340	0	2,840
Class Size Reduction	CR-S1 2002	84.340	16,031	13,024
			16,031	15,864
School Renovation Grants	N/A	84.352	8,411	6,997
Total U.S. Department of Education			236,635	291,155
Total Federal Financial Assistance			\$260,626	\$315,146

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2002, the District received \$16,806 and used \$17,180 in fair value inventory under the Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2002 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Education
Indian Hill Exempted Village School District
6855 Drake Road
Cincinnati, Ohio 45243

We have audited the financial statements of the Indian Hill Exempted Village School District (the District), as of and for the year ended June 30, 2002 and have issued our report thereon dated December 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompany schedule of findings and questioned costs as item 2002-01. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 23, 2002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-02.

Board of Education
Indian Hill Exempted Village School District
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the item described above as a reportable condition to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 23, 2002.

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 23, 2002

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Education
Indian Hill Exempted Village School District
6855 Drake Road
Cincinnati, Ohio 45243

Compliance

We have audited the compliance of Indian Hill Exempted Village School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education
Indian Hill Exempted Village School District
Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 23, 2002

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	Yes
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	Title I CFDA # 84.010 Special Education Cluster CFDA # 84.027 and # 84.173
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	No

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

Finding Number 2002-01

Section 5705.39 of the Ohio Revised Code, in summary, states that appropriations should not exceed estimated resources for any fund. We found that one fund violated this requirement.

The District should properly monitor the amendments that they file to insure that the appropriations do not exceed estimated resources.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

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

Finding Number 2002-02

The fixed asset policy of the District states that a fixed asset accounting system shall be maintained. As fixed asset manager, the Treasurer is responsible for the development and maintenance of the fixed asset accounting system. The District's policy states that the manager shall develop procedures to promote compliance with all fixed asset policies.

From the records we reviewed:

- The District's carrying amount of fixed assets reported in the fixed asset accounting system is substantially less than what is being reported on the financial statements; and
- The District did not maintain inventory change reports (addition and disposal forms).

Keeping the fixed asset records accurate is an invaluable tool in analyzing replacement needs, insurance coverage, and reducing the risk of losing assets. With the advent of GASB Statement No. 34, it is imperative to have the fixed asset accounting system complete in order to meet the new reporting requirements.

We recommend the District have a District-wide fixed asset valuation performed to enable them to update the incomplete fixed asset accounting system and that periodic physical counts of property, especially removable equipment items, be taken and compared to the detailed fixed asset subsidiary ledger to verify the assets in the fixed asset accounting system.

As assets are purchased, addition forms should be utilized to document information concerning the asset. These forms can then be used to record the asset in the District's fixed asset accounting system.

When assets are sold or disposed of, disposal forms should be completed detailing the asset and action taken. This will provide documentation to delete the item from the fixed asset accounting system. Assets, at least over a certain value, should be approved by the Board of Education prior to disposal.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



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INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2003**