



Dave Yost • Auditor of State



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

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HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District, Hamilton County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 18, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The discussion and analysis of the Indian Hill Exempted Village School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$4,896,167, which represents an 11.38% increase from 2010.
- General revenues accounted for \$38,849,195 in revenue or 92.80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,011,961 or 7.20% of total revenues of \$41,861,156.
- The District had \$36,964,989 in expenses related to governmental activities; only \$3,011,961 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$38,849,195 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$33,435,690 in revenues and other financing sources and \$30,918,998 in expenditures. During fiscal 2011, the general fund's fund balance increased \$2,516,692 from a restated balance of \$31,942,675 to \$34,459,367.
- The District has \$43,943,822 in capital assets at June 30, 2011. This amount is net of accumulated depreciation in the amount of \$26,723,770. Fiscal year 2011 depreciation expense was \$1,836,198. Total capital assets, net of related debt were \$9,361,102 at June 30, 2011.
- The District has \$35,869,608 in general obligation bonds and lease purchase agreements outstanding at June 30, 2011. Of this total, \$2,392,000 is due within one year and \$33,477,608 is due in greater than one year.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund. All other governmental funds are considered non-major.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

*Reporting the District's Fiduciary Responsibilities*

The District acts in a trustee capacity as an agent for students. These activities are reported in an agency fund. At June 30, 2011, the balances in the agency fund are reported in a separate statement of fiduciary net assets on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-52 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2011 and 2010.

	<b>Net Assets</b>	
	Governmental Activities 2011	Governmental Activities 2010
<b><u>Assets</u></b>		
Current and other assets	\$ 64,317,257	\$ 59,885,807
Capital assets, net	<u>43,943,822</u>	<u>45,614,136</u>
Total assets	<u>108,261,079</u>	<u>105,499,943</u>
<b><u>Liabilities</u></b>		
Current liabilities	22,899,086	23,700,500
Long-term liabilities	<u>37,447,771</u>	<u>38,781,388</u>
Total liabilities	<u>60,346,857</u>	<u>62,481,888</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	9,361,102	9,151,400
Restricted	4,236,789	3,603,378
Unrestricted	<u>34,316,331</u>	<u>30,263,277</u>
Total net assets	<u>\$ 47,914,222</u>	<u>\$ 43,018,055</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$47,914,222. Of this total \$4,236,789 is restricted in use resulting in a balance of unrestricted net assets of \$34,316,331.

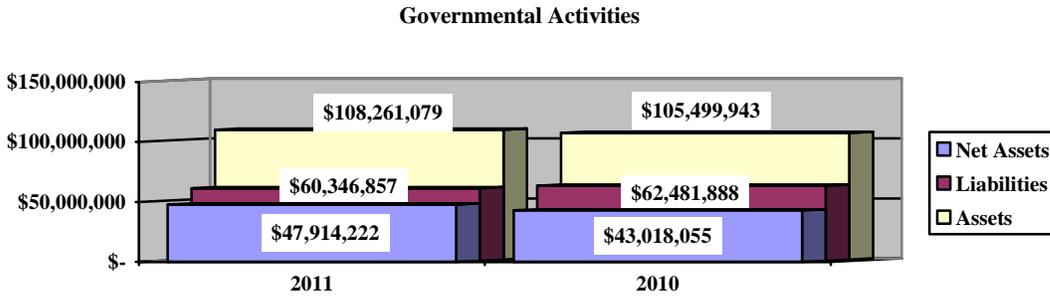
At fiscal year-end, capital assets represented 40.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$9,361,102. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,236,789, represents resources that are subject to external restriction on how they may be used. Of this total, \$3,593,189 is restricted for debt service.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The graph below presents the District's governmental activities assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

**Change in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 811,914	\$ 869,807
Operating grants and contributions	2,200,047	2,135,488
General revenues:		
Property taxes	29,324,097	28,028,139
Payments in lieu of taxes	3,567,780	2,906,540
Grants and entitlements	5,769,553	5,762,893
Investment earnings	159,690	92,030
Miscellaneous	28,075	60,670
Total revenues	<u>41,861,156</u>	<u>39,855,567</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Change in Net Assets**

<u>Expenses</u>	Governmental Activities 2011	Governmental Activities 2010
Program expenses:		
Instruction:		
Regular	15,086,424	15,064,938
Special	2,495,973	2,279,816
Vocational	11,013	10,304
Other	462,641	375,287
Support services:		
Pupil	2,393,141	2,253,828
Instructional staff	3,252,423	3,186,806
Board of education	21,224	28,994
Administration	2,389,808	2,633,329
Fiscal	786,586	781,270
Business	106,709	94,847
Operations and maintenance	3,571,813	3,630,160
Pupil transportation	2,086,344	1,876,493
Central	57,368	80,813
Operations of non-instructional services		
Other non-instructional services	942,873	1,090,896
Food service operations	793,530	604,170
Extracurricular activities	965,552	947,607
Interest and fiscal charges	<u>1,541,567</u>	<u>2,065,147</u>
Total expenses	<u>36,964,989</u>	<u>37,004,705</u>
Change in net assets	4,896,167	2,850,862
Net assets at beginning of year	<u>43,018,055</u>	<u>40,167,193</u>
Net assets at end of year	<u>\$ 47,914,222</u>	<u>\$ 43,018,055</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$4,896,167. Total governmental expenses of \$36,964,989 were offset by program revenues of \$3,011,961 and general revenues of \$38,849,195. Program revenues supported 8.15% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and grants and entitlements. These revenue sources represent 92.36% of total governmental revenue. Tax revenues increased \$1,295,958 primarily due to an increase in delinquent taxes receivable of approximately \$785,000 which is recorded a revenue in the statement of activities. In addition, the District collected approximately \$662,000 more in payments in lieu of taxes in fiscal year 2011 versus fiscal year 2010. See Note 6 to the basic financial statements for more detail on this revenue source.

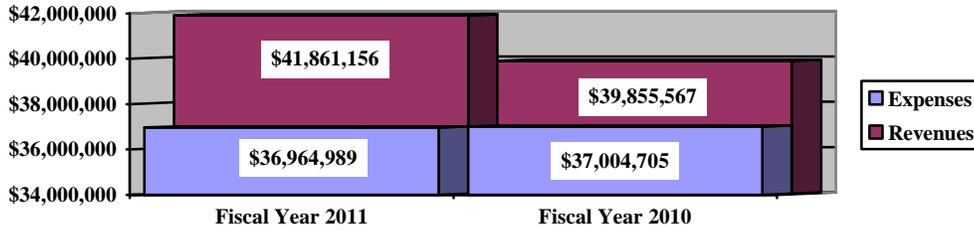
The largest expense of the District is for instructional programs. Instruction expenses totaled \$18,056,051 or 48.85% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 15,086,424	\$ 15,080,122	\$ 15,064,938	\$ 15,030,553
Special	2,495,973	2,298,075	2,279,816	2,162,272
Vocational	11,013	11,013	10,304	10,304
Other	462,641	355,683	375,287	298,391
Support services:				
Pupil	2,393,141	2,368,100	2,253,828	2,238,767
Instructional staff	3,252,423	2,571,568	3,186,806	2,534,774
Board of education	21,224	21,224	28,994	28,994
Administration	2,389,808	2,389,808	2,633,329	2,633,329
Fiscal	786,586	786,586	781,270	781,270
Business	106,709	106,709	94,847	94,847
Operations and maintenance	3,571,813	3,486,410	3,630,160	3,551,604
Pupil transportation	2,086,344	2,061,291	1,876,493	1,870,833
Central	57,368	52,368	80,813	75,813
Operations of non-instructional services				
Other non-instructional services	942,873	(70,853)	1,090,896	(13,826)
Food service operations	793,530	100,736	604,170	(135,894)
Extracurricular activities	965,552	792,621	947,607	772,232
Interest and fiscal charges	1,541,567	1,541,567	2,065,147	2,065,147
<b>Total expenses</b>	<u>\$ 36,964,989</u>	<u>\$ 33,953,028</u>	<u>\$ 37,004,705</u>	<u>\$ 33,999,410</u>

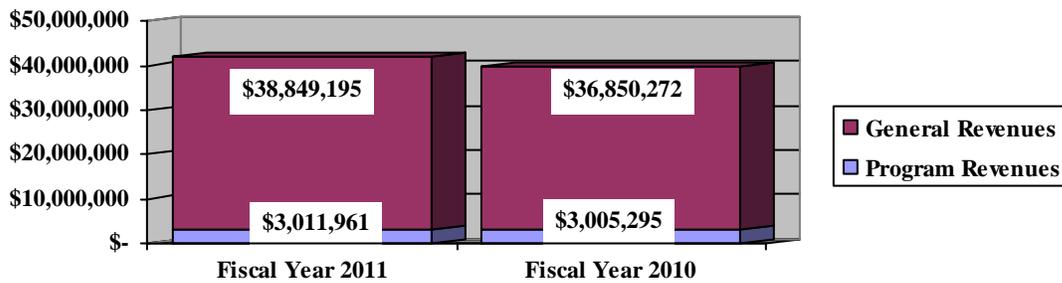
**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 98.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.85%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$39,828,160, which is higher than last year's total of \$35,755,304. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances at June 30, 2010 as described in Note 3.B.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase
General	\$ 34,459,367	\$ 31,942,675	\$ 2,516,692
Other Governmental	5,368,793	3,812,629	1,556,164
Total	<u>\$ 39,828,160</u>	<u>\$ 35,755,304</u>	<u>\$ 4,072,856</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***General Fund***

The District's general fund balance increased \$2,516,692 from June 30, 2010. The table that follows assists in illustrating the financial activities of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 23,862,634	\$ 24,678,744	\$ (816,110)	(3.31) %
Payments in lieu of taxes	3,468,895	2,906,540	562,355	19.35 %
Earnings on investments	154,365	110,211	44,154	40.06 %
Intergovernmental	5,295,069	5,334,544	(39,475)	(0.74) %
Other revenues	<u>63,727</u>	<u>99,756</u>	<u>(36,029)</u>	(36.12) %
Total	<u>\$ 32,844,690</u>	<u>\$ 33,129,795</u>	<u>\$ (285,105)</u>	(0.86) %
<b><u>Expenditures</u></b>				
Instruction	\$ 16,677,167	\$ 16,488,644	\$ 188,523	1.14 %
Support services	12,693,483	13,312,145	(618,662)	(4.65) %
Operation of non-instructional services	35,168	37,420	(2,252)	(6.02) %
Extracurricular activities	692,448	694,239	(1,791)	(0.26) %
Capital outlay	591,000	-	591,000	100.00 %
Debt service	<u>229,732</u>	<u>467,434</u>	<u>(237,702)</u>	(50.85) %
Total	<u>\$ 30,918,998</u>	<u>\$ 30,999,882</u>	<u>\$ (80,884)</u>	(0.26) %

Taxes decreased primarily due to fluctuations in the amount collected by the County Auditor and available as an advance at fiscal year end. These amounts are recorded as revenue in the general fund. The amount of taxes collected and available as an advance in the general fund was \$9,749,000, \$9,901,200 and \$9,578,000 at June 30, 2011, 2010 and 2009. The amount of taxes collected and available as an advance can vary depending upon when tax bills are sent by the County Auditor. The increase in payments in lieu of taxes is due to increased activity in Sycamore Township related to these types of projects. Earnings on investments increased due to the District having more funds to invest to earn interest coupled with better interest rates on investments. The District received fewer miscellaneous revenues in 2011 to account for the change in other revenues. The decrease in support services is due to the District tightly containing costs within the administrative and operations and maintenance functions. The change in capital outlay is due to the inception of a new lease-purchase agreement entered into by the District in fiscal 2011 for computer equipment and school buses. The change in debt service was due to the District having less principal and interest payments on the lease-purchase obligations which are being paid for out of the general fund.

***General Fund Budgeting Highlights***

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

For the general fund, final budgeted revenues and other financing sources were \$33,179,646, which was higher than the original budgeted revenues estimate of \$32,226,637. Actual revenues and other financing sources for fiscal 2011 was \$33,179,646.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$31,506,025. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$30,200,644, which was \$1,305,381 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

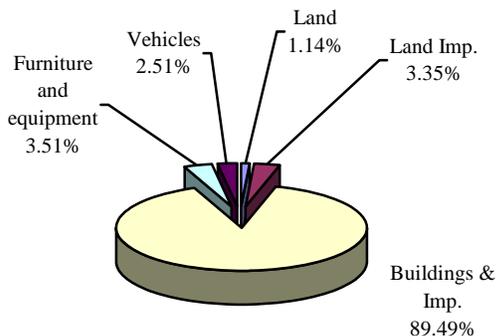
At the end of fiscal 2011, the District had \$43,943,822 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to the fiscal 2010 balances:

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

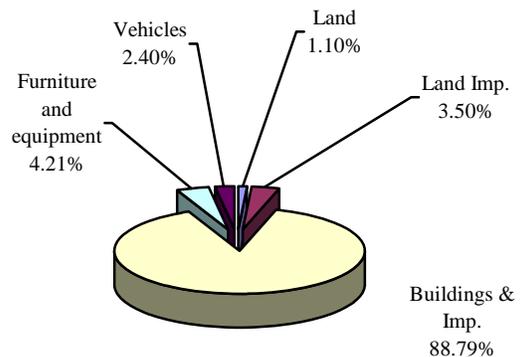
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 501,523	\$ 501,523
Land improvements	1,472,283	1,594,288
Buildings and improvements	39,323,138	40,506,152
Furniture and equipment	1,543,786	1,919,563
Vehicles	<u>1,103,092</u>	<u>1,092,610</u>
Total	<u>\$ 43,943,822</u>	<u>\$ 45,614,136</u>

Total additions to capital assets for 2011 were \$393,547. The overall decrease in capital assets of \$1,670,314 is primarily due to depreciation expense of \$1,836,198. The graphs below present the District's capital assets for fiscal 2011 and fiscal 2010.

**Capital Assets - Governmental Activities  
2011**



**Capital Assets - Governmental Activities  
2010**



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***Debt Administration***

At June 30, 2011, the District had \$35,869,608, in general obligation bonds and lease-purchase agreements outstanding. Of this total, \$2,392,000 is due within one year and \$33,477,608 is due in more than one year. The following table summarizes the bonds and lease-purchase agreements outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 34,800,608	\$ 36,633,873
Lease purchase agreement	<u>1,069,000</u>	<u>678,000</u>
Total	<u>\$ 35,869,608</u>	<u>\$ 37,311,873</u>

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

**Current Financial Related Activities**

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the information in this report shows, the general fund cash balance was \$28,131,109 at June 30, 2011. Fiscal year-end general fund cash balances were \$28,131,109, \$25,050,077, \$21,615,045, \$19,966,629, \$16,762,806, \$13,025,282 at June 30 in fiscal years 2011, 2010, 2009, 2008, 2007 and 2006, respectively. Sound fiscal management by the Board of Education (the "Board") has enabled the District to maintain a healthy cash balance, allow a 5-year emergency levy to expire in 1998, obtain voter approval of a \$49.6 million bond issue in 2000, and continue a quality, comprehensive educational program.

The Board's five-year projections indicate that the District will remain financially stable through fiscal year 2016. With Board guidance, the recent fiscal year budgets have been carefully managed in order to prolong the timing of any operating request. The Board's timing for requesting additional operating funds will be triggered when the cash reserves equal one-fourth of a year's expenditures.

In December 2009, the Board passed a resolution to designate 1.25 of its inside mills for permanent improvements. This designation will generate net additional income (approximately equal to 1 mill or \$1.3 million) for the District as it is currently positioned very near the 20-mill floor. Specifically, the permanent improvement fund will receive approximately \$1.7 million and the general fund will decrease its revenue by about \$400,000 as a result of this designation. First collection of the permanent improvement funds occurred in January 2011.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

Several important legislative and judicial actions have occurred that have had significant impact on the District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. The State's passage of HB 153 (July 2011) requires a new school funding formula which is being developed and will likely be phased in over the next few years. There is concern that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the current State budget. And given the current economic climate, the biennial budget which was approved by the State in the summer of 2011 for fiscal years 2012 and 2013 has provided reduced funding for the District in both years of the budget cycle.

Beginning July 1, 2011, three previously awarded federal stimulus grants (State Fiscal Stabilization Fund, Title VI-B IDEA ARRA Stimulus Grant, and Title VI-B ECSE ARRA Stimulus Grant) have expired and were not re-authorized. These three grants combined for a total of approximately \$800,000 in fiscal years 2010 and 2011. In fiscal year 2011, Ohio has applied for a federal grant (EdJobs) designed to re-hire or retain teaching staff; this grant is available to be used in fiscal years 2011 and 2012. The District will utilize remaining EdJobs grant funds during fiscal year 2012.

The District anticipates declining real estate property valuations beginning in (tax year) 2011 following the Hamilton County sexennial reappraisal (tax year) 2011. In spite of this and other financial concerns, the Board is committed to balancing its operating budget.

Further, the District anticipates reductions in its State revenues due to the current economic situation as well as the expiration of federal stimulus grant programs in fiscal year 2011.

Steady or slightly decreasing enrollment over the past two years is a trend that has received, and will continue to receive, the attention of the Board. Reduced student counts have resulted in staffing reductions in targeted areas. Other areas of the operations are regularly evaluated for best practices in terms of effectiveness, efficiency and cost containment.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. Overall, the District continues to perform at the highest level determined by the State of Ohio—Excellent with Distinction. Our 2010-2011 state report card shows the District students achieving a perfect 26 out of 26 indicators, meeting Value Added and Adequate Yearly Progress benchmarks, and attaining the highest Performance Index (111) recorded in the State.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 31,697,696
Receivables:	
Property taxes . . . . .	28,452,034
Payment in lieu of taxes . . . . .	3,755,832
Accounts . . . . .	528
Accrued interest . . . . .	32,678
Intergovernmental . . . . .	102,728
Materials and supplies inventory . . . . .	16,136
Unamortized bond issuance costs . . . . .	259,625
Capital assets:	
Land and construction in progress . . . . .	501,523
Depreciable capital assets, net . . . . .	43,442,299
Capital assets, net . . . . .	<u>43,943,822</u>
 Total assets . . . . .	 <u>108,261,079</u>
 <b>Liabilities:</b>	
Accounts payable . . . . .	208,504
Accrued wages and benefits . . . . .	2,651,963
Pension obligation payable . . . . .	384,154
Intergovernmental payable . . . . .	95,721
Accrued interest payable . . . . .	119,721
Matured bonds payable . . . . .	28,492
Unearned revenue . . . . .	19,410,531
Long-term liabilities:	
Due within one year . . . . .	2,707,895
Due in more than one year . . . . .	34,739,876
 Total liabilities . . . . .	 <u>60,346,857</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	9,361,102
Restricted for:	
Debt service . . . . .	3,593,189
Federally funded programs . . . . .	31,951
State funded programs . . . . .	267,298
Locally funded programs . . . . .	3,128
Student activities . . . . .	102,543
Food service operations . . . . .	238,680
Unrestricted . . . . .	<u>34,316,331</u>
 Total net assets . . . . .	 <u>\$ 47,914,222</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 15,086,424	\$ -	\$ 6,302	\$ (15,080,122)
Special . . . . .	2,495,973	19,050	178,848	(2,298,075)
Vocational . . . . .	11,013	-	-	(11,013)
Other . . . . .	462,641	-	106,958	(355,683)
Support services:				
Pupil. . . . .	2,393,141	6,760	18,281	(2,368,100)
Instructional staff . . . . .	3,252,423	-	680,855	(2,571,568)
Board of education . . . . .	21,224	-	-	(21,224)
Administration. . . . .	2,389,808	-	-	(2,389,808)
Fiscal. . . . .	786,586	-	-	(786,586)
Business. . . . .	106,709	-	-	(106,709)
Operations and maintenance . . . . .	3,571,813	8,500	76,903	(3,486,410)
Pupil transportation. . . . .	2,086,344	-	25,053	(2,061,291)
Central . . . . .	57,368	-	5,000	(52,368)
Operation of non-instructional services:				
Other non-instructional services . . . . .	942,873	-	1,013,726	70,853
Food service operations . . . . .	793,530	604,673	88,121	(100,736)
Extracurricular activities. . . . .	965,552	172,931	-	(792,621)
Interest and fiscal charges . . . . .	1,541,567	-	-	(1,541,567)
Totals . . . . .	\$ 36,964,989	\$ 811,914	\$ 2,200,047	(33,953,028)

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	24,498,876
Debt service. . . . .	3,408,740
Capital outlay. . . . .	1,416,481
Payments in lieu of taxes. . . . .	3,567,780
Grants and entitlements not restricted	
to specific programs . . . . .	5,769,553
Investment earnings . . . . .	159,690
Miscellaneous . . . . .	28,075
Total general revenues . . . . .	38,849,195
Change in net assets . . . . .	4,896,167
<b>Net assets at beginning of year. . . . .</b>	<b>43,018,055</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 47,914,222</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 28,131,109	\$ 3,566,587	\$ 31,697,696
Receivables:			
Property taxes . . . . .	23,805,926	4,646,108	28,452,034
Payment in lieu of taxes . . . . .	3,560,528	195,304	3,755,832
Accounts . . . . .	528	-	528
Accrued interest . . . . .	32,660	18	32,678
Intergovernmental . . . . .	143	102,585	102,728
Materials and supplies inventory . . . . .	-	16,136	16,136
Total assets . . . . .	<u>\$ 55,530,894</u>	<u>\$ 8,526,738</u>	<u>\$ 64,057,632</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 125,616	\$ 82,888	\$ 208,504
Accrued wages and benefits . . . . .	2,587,905	64,058	2,651,963
Compensated absences payable . . . . .	242,687	-	242,687
Pension obligation payable . . . . .	358,081	26,073	384,154
Intergovernmental payable . . . . .	92,540	3,181	95,721
Matured bonds payable . . . . .	28,492	-	28,492
Deferred revenue . . . . .	943,377	264,043	1,207,420
Unearned revenue . . . . .	16,692,829	2,717,702	19,410,531
Total liabilities . . . . .	<u>21,071,527</u>	<u>3,157,945</u>	<u>24,229,472</u>
<b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	-	16,136	16,136
Restricted:			
Debt service . . . . .	-	3,596,271	3,596,271
Food service operations . . . . .	-	222,544	222,544
Non-public schools . . . . .	-	306,447	306,447
Targeted academic assistance . . . . .	-	279	279
Other purposes . . . . .	-	6,008	6,008
Extracurricular . . . . .	-	102,543	102,543
Committed:			
Capital improvements . . . . .	-	1,188,530	1,188,530
Assigned:			
Student instruction . . . . .	10,422	-	10,422
Student and staff support . . . . .	33,842	-	33,842
Extracurricular activities . . . . .	737	-	737
Unassigned . . . . .	34,414,366	(69,965)	34,344,401
Total fund balances . . . . .	<u>34,459,367</u>	<u>5,368,793</u>	<u>39,828,160</u>
Total liabilities and fund balances . . . . .	<u>\$ 55,530,894</u>	<u>\$ 8,526,738</u>	<u>\$ 64,057,632</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$ 39,828,160
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,943,822
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 1,093,335	
Accrued interest receivable	18,752	
Intergovernmental receivable	95,333	
Total	1,207,420	1,207,420
Unamortized bond issuance costs are not recognized in the funds.		259,625
Unamortized premiums on bond issuances are not recognized in the funds.		(1,099,156)
Unamortized amounts on refundings are not recognized in the funds.		1,406,800
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(119,721)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(34,800,608)	
Lease-purchase agreements	(1,069,000)	
Compensated absences	(1,643,120)	
Total	(37,512,728)	(37,512,728)
<b>Net assets of governmental activities</b>		<b>\$ 47,914,222</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 23,862,634	\$ 4,675,996	\$ 28,538,630
Payment in lieu of taxes . . . . .	3,468,895	98,885	3,567,780
Tuition. . . . .	19,050	-	19,050
Earnings on investments . . . . .	154,365	686	155,051
Charges for services . . . . .	-	604,673	604,673
Extracurricular. . . . .	6,760	172,931	179,691
Rental income . . . . .	8,500	-	8,500
Contributions and donations . . . . .	2,038	4,500	6,538
Other local revenues . . . . .	27,379	696	28,075
Intergovernmental - state . . . . .	5,295,069	1,375,279	6,670,348
Intergovernmental - federal . . . . .	-	1,196,695	1,196,695
Total revenues . . . . .	<u>32,844,690</u>	<u>8,130,341</u>	<u>40,975,031</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	14,030,748	6,334	14,037,082
Special . . . . .	2,276,116	138,836	2,414,952
Other . . . . .	370,303	96,011	466,314
Support services:			
Pupil . . . . .	2,316,732	21,457	2,338,189
Instructional staff . . . . .	2,122,817	651,043	2,773,860
Board of education . . . . .	21,224	-	21,224
Administration . . . . .	2,396,214	-	2,396,214
Fiscal . . . . .	723,691	55,713	779,404
Business. . . . .	106,709	-	106,709
Operations and maintenance . . . . .	3,217,439	386,247	3,603,686
Pupil transportation . . . . .	1,736,289	46,055	1,782,344
Central . . . . .	52,368	5,000	57,368
Operation of non-instructional services:			
Other non-instructional services . . . . .	35,168	885,428	920,596
Food service operations. . . . .	-	649,249	649,249
Extracurricular activities . . . . .	692,448	178,735	871,183
Capital outlay . . . . .	591,000	-	591,000
Debt service:			
Principal retirement. . . . .	200,000	1,965,000	2,165,000
Interest and fiscal charges . . . . .	29,732	1,489,069	1,518,801
Total expenditures . . . . .	<u>30,918,998</u>	<u>6,574,177</u>	<u>37,493,175</u>
Excess of revenues over expenditures . . . . .	<u>1,925,692</u>	<u>1,556,164</u>	<u>3,481,856</u>
<b>Other financing sources:</b>			
Inception of lease-purchase agreement . . . . .	591,000	-	591,000
Total other financing sources . . . . .	<u>591,000</u>	<u>-</u>	<u>591,000</u>
Net change in fund balances . . . . .	2,516,692	1,556,164	4,072,856
<b>Fund balances at beginning of year (restated).</b>	<u>31,942,675</u>	<u>3,812,629</u>	<u>35,755,304</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 34,459,367</u>	<u>\$ 5,368,793</u>	<u>\$ 39,828,160</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Net change in fund balances - total governmental funds** \$ 4,072,856

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 393,547	
Current year depreciation	(1,836,198)	
<b>Total</b>		(1,442,651)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (227,663)

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

Property taxes	785,467	
Earnings on investments	5,325	
Intergovernmental	95,333	
<b>Total</b>		886,125

Repayment of bond and lease-purchase obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	1,965,000	
Lease-purchase obligations	200,000	
<b>Total</b>		2,165,000

The issuance of a lease-purchase agreement is recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net assets. (591,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	158,656	
Accreted interest on capital appreciation bonds	(131,735)	
Amortization of bond issuance costs	(27,067)	
Amortization of bond premiums	132,516	
Amortization of deferred charges	(155,136)	
<b>Total</b>		(22,766)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 56,266

**Change in net assets of governmental activities** \$ 4,896,167

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 23,416,602	\$ 24,109,080	\$ 24,109,080	\$ -
Tuition . . . . .	18,309	18,850	18,850	-
Earnings on investments . . . . .	162,584	167,392	167,392	-
Rental income . . . . .	8,256	8,500	8,500	-
Other local revenues . . . . .	14,361	14,786	14,786	-
Intergovernmental - intermediate . . . . .	3,369,259	3,468,895	3,468,895	-
Intergovernmental - state . . . . .	5,142,980	5,295,069	5,295,069	-
Total revenues . . . . .	<u>32,132,351</u>	<u>33,082,572</u>	<u>33,082,572</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	14,373,060	14,369,288	14,008,822	360,466
Special . . . . .	2,222,721	2,222,046	2,276,726	(54,680)
Other . . . . .	368,827	368,827	372,138	(3,311)
Support services:				
Pupil . . . . .	2,253,512	2,262,512	2,253,680	8,832
Instructional staff . . . . .	2,689,169	2,686,644	2,299,140	387,504
Board of education . . . . .	28,564	28,564	21,251	7,313
Administration . . . . .	2,546,144	2,540,711	2,317,421	223,290
Fiscal . . . . .	733,629	749,315	724,373	24,942
Business . . . . .	93,963	93,963	106,703	(12,740)
Operations and maintenance . . . . .	3,604,634	3,603,634	3,218,153	385,481
Pupil transportation . . . . .	1,810,518	1,809,517	1,841,035	(31,518)
Central . . . . .	57,744	57,744	52,421	5,323
Operation of non-instructional services:				
Other non-instructional services . . . . .	40,669	39,169	34,368	4,801
Extracurricular activities . . . . .	682,871	674,091	674,413	(322)
Total expenditures . . . . .	<u>31,506,025</u>	<u>31,506,025</u>	<u>30,200,644</u>	<u>1,305,381</u>
Excess of revenues over expenditures . . . . .	<u>626,326</u>	<u>1,576,547</u>	<u>2,881,928</u>	<u>1,305,381</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	94,286	97,074	97,074	-
Total other financing sources . . . . .	<u>94,286</u>	<u>97,074</u>	<u>97,074</u>	<u>-</u>
Net change in fund balance . . . . .	720,612	1,673,621	2,979,002	1,305,381
<b>Fund balance at beginning of year . . . . .</b>	24,967,803	24,967,803	24,967,803	-
<b>Prior year encumbrances appropriated . . . . .</b>	71,332	71,332	71,332	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 25,759,747</u>	<u>\$ 26,712,756</u>	<u>\$ 28,018,137</u>	<u>\$ 1,305,381</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2011

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . .	\$ 38,365
Total assets. . . . .	\$ 38,365
 <b>Liabilities:</b>	
Accounts payable. . . . .	\$ 116
Due to students. . . . .	38,249
Total liabilities . . . . .	\$ 38,365

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 195 certified teaching and administrative personnel and 115 classified personnel to provide services to 2,056 students and other community members, which ranks it 250<sup>th</sup> out of 918 public school districts and community schools in the State of Ohio.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is comprised of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

*JOINTLY GOVERNED ORGANIZATION*

Hamilton/Clermont Cooperative Association

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

**D. Basis of Accounting**

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

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

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

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

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the fund financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

**E. Budgets**

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

Tax Budget:

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

Estimated Resources:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2011, investments were limited to Federal Home Loan Bank (FHLB) bonds and discount notes, Federal National Mortgage Association (FNMA) bonds and discount notes, Federal Farm Credit Bank (FFCB) discount notes, Federal Home Loan Mortgage Corporation (FHLMC) discount notes, U.S. government money market mutual funds, U.S. Treasury notes and investment in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$154,365, which includes \$15,476 assigned from other District funds.

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

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

**G. Inventory**

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

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$2,500 for its general capital assets during fiscal year 2011. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". The District had no interfund loans receivable or payable at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

**L. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

**M. Fund Balance**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**O. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The District had no prepaid assets at June 30, 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**P. Estimates**

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

**Q. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2011, the balance in the budget stabilization reserve was \$97,976. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

**R. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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

**S. Parochial Schools**

Within the District boundaries, All Saints, St. Vincent Ferrer, 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 nonmajor governmental fund for financial reporting purposes because the District has administrative involvement in the disbursement of the monies.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 31,925,245	\$ 3,830,059	\$ 35,755,304
Fund reclassifications:			
Public school support fund	7,278	(7,278)	-
Special trust fund	10,152	(10,152)	-
Total fund reclassifications	17,430	(17,430)	-
Restated fund balance at July 1, 2010	\$ 31,942,675	\$ 3,812,629	\$ 35,755,304

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 52,960
Title I	16,994
IDEA, Part B - preschool	11

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

**A. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$15,498,900. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$348,270 of the District's bank balance of \$15,905,628 was covered by the Federal Deposit Insurance Corporation, while \$15,557,358 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by Ohio Revised Code, is held in a single financial institution, collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

**C.**

As of June 30, 2011, the District had the following investments and maturities:

Investment	Fair Market Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB bonds	\$ 3,582,325	\$ 576,571	\$ 1,004,874	\$ -	\$ -	\$ 2,000,880
FNMA bonds	5,937,183	-	478,615	425,098	-	5,033,470
FFCB discount notes	249,930	249,930	-	-	-	-
FNMA discount notes	1,474,918	1,474,918	-	-	-	-
FHLB discount notes	1,049,981	1,049,981	-	-	-	-
FHLMC discount notes	449,967	449,967	-	-	-	-
U.S. Treasury notes	1,879,976	-	451,759	1,428,217	-	-
U.S government money market mutual fund	899,847	899,847	-	-	-	-
STAR Ohio	713,034	713,034	-	-	-	-
<b>Total</b>	<b>\$ 16,237,161</b>	<b>\$ 5,414,248</b>	<b>\$ 1,935,248</b>	<b>\$ 1,853,315</b>	<b>\$ -</b>	<b>\$ 7,034,350</b>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The weighted average maturity of investments is 1.50 years.

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and the U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

The following table includes the percentage of each investment type held at June 30, 2011:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB bonds	\$ 3,582,325	22.06
FNMA bonds	5,937,183	36.57
FFCB discount notes	249,930	1.54
FNMA discount notes	1,474,918	9.08
FHLB discount notes	1,049,981	6.47
FHLMC discount notes	449,967	2.77
U.S Treasury notes	1,879,976	11.58
U.S . Government money market mutual fund	899,847	5.54
STAR Ohio	713,034	4.39
Total	<u>\$ 16,237,161</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 15,498,900
Investments	<u>16,237,161</u>
Total	<u>\$31,736,061</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 31,697,696
Agency fund	<u>38,365</u>
Total	<u>\$31,736,061</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$9,749,000 in the general fund, \$1,352,000 in the bond retirement fund (a nonmajor governmental fund) and \$603,000 permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$9,901,200 in the general fund and \$1,409,900 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,342,675,170	99.22	\$ 1,326,216,030	99.17
Public utility personal	10,188,620	0.75	11,145,260	0.83
Tangible personal property	<u>417,865</u>	<u>0.03</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,353,281,655</u>	<u>100.00</u>	<u>\$ 1,337,361,290</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$ 41.67		\$ 41.67	
Bond retirement	3.40		2.80	
Permanent improvements	1.25		1.25	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

According to State law, Sycamore Township has entered into agreements with a number of property owners under which the Township has granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the Township to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The District received \$3,567,780 in payments in lieu of taxes during fiscal year 2011.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, payments in lieu of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

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

**Governmental activities:**

Property taxes	\$ 28,452,034
Payments in lieu of taxes	3,755,832
Accounts	528
Intergovernmental	102,728
Accrued interest	<u>32,678</u>
Total	<u>\$ 32,343,800</u>

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

**NOTE 8 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 36,079
Other governmental	<u>817,780</u>
Total	<u>\$ 853,859</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - LEASE-PURCHASE AGREEMENTS**

During fiscal year 2011, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority through the Ohio Association of School Business Officials (OASBO) Expanded Asset Pool totaling \$591,000 in order to finance the acquisition of school buses and computers, laptops, and tablets. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District.

In prior fiscal years, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority through the OASBO Expanded Asset Pool totaling \$2,322,000 in order to finance the acquisition of school buses and computers, laptops, and tablets. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District.

Lease-purchase payments are reported as function expenditures on a budgetary basis. However, on a GAAP basis, these payments have been reclassified and are reported as debt service expenditures in the general fund. During fiscal year 2011, the District made principal and interest payments of \$200,000 and \$29,732, respectively, on the lease-purchase agreements.

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net assets. Capital assets consisting of vehicles and equipment have been capitalized to the extent the capital assets acquired exceeded the District's capitalization threshold. At June 30, 2011, capital assets in the amount of \$2,584,364 have been capitalized.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 314,963
2013	324,695
2014	307,936
2015	93,162
2016	<u>110,406</u>
Total minimum lease payments	1,151,162
Less: amount representing interest	<u>(82,162)</u>
Total	<u>\$ 1,069,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

<b><u>Governmental activities:</u></b>	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 501,523	\$ -	\$ -	\$ 501,523
<i>Total capital assets, not being depreciated</i>	<u>501,523</u>	<u>-</u>	<u>-</u>	<u>501,523</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,845,804	-	-	2,845,804
Buildings and improvements	57,275,123	54,366	-	57,329,489
Equipment and furniture	7,679,006	171,781	(354,976)	7,495,811
Vehicles	2,327,565	167,400	-	2,494,965
<i>Total capital assets, being depreciated</i>	<u>70,127,498</u>	<u>393,547</u>	<u>(354,976)</u>	<u>70,166,069</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,251,516)	(122,005)	-	(1,373,521)
Buildings and improvements	(16,768,971)	(1,237,380)	-	(18,006,351)
Equipment and furniture	(5,759,443)	(319,895)	127,313	(5,952,025)
Vehicles	(1,234,955)	(156,918)	-	(1,391,873)
<i>Total accumulated depreciation</i>	<u>(25,014,885)</u>	<u>(1,836,198)</u>	<u>127,313</u>	<u>(26,723,770)</u>
Total capital assets, net	<u>\$ 45,614,136</u>	<u>\$ (1,442,651)</u>	<u>\$ (227,663)</u>	<u>\$ 43,943,822</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 894,946
Special	55,311
Vocational	11,013
<u>Support services:</u>	
Pupil	29,192
Instructional staff	174,353
Administration	32,841
Fiscal	1,895
Operations and maintenance	41,037
Pupil transportation	334,990
Operation of non-instructional services	21,970
Extracurricular activities	94,369
Food service operations	<u>144,281</u>
Total depreciation expense	<u>\$ 1,836,198</u>

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2011, the following activity occurred in the governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General Obligation Bonds:</u>					
Current interest bonds-series 2001	\$ 3,530,000	\$ -	\$ (1,700,000)	\$ 1,830,000	\$ 1,830,000
Current interest bonds-series 2005	11,390,000	-	(130,000)	11,260,000	135,000
Capital appreciation bonds-series 2005	1,200,000	-	-	1,200,000	-
Accreted interest-series 2005	518,873	131,735	-	650,608	-
Current interest bonds-series 2006	<u>19,995,000</u>	<u>-</u>	<u>(135,000)</u>	<u>19,860,000</u>	<u>145,000</u>
Total general obligation bonds	<u>36,633,873</u>	<u>131,735</u>	<u>(1,965,000)</u>	<u>34,800,608</u>	<u>2,110,000</u>
<u>Other Long-Term Obligations:</u>					
Lease-purchase agreement	678,000	591,000	(200,000)	1,069,000	282,000
Compensated absences	<u>1,799,779</u>	<u>427,556</u>	<u>(341,528)</u>	<u>1,885,807</u>	<u>315,895</u>
Total other long-term obligations	<u>2,477,779</u>	<u>1,018,556</u>	<u>(541,528)</u>	<u>2,954,807</u>	<u>597,895</u>
Total governmental activities	<u>\$ 39,111,652</u>	<u>\$ 1,150,291</u>	<u>\$ (2,506,528)</u>	37,755,415	<u>\$ 2,707,895</u>
Add: Unamortized premium on bonds				1,099,156	
Less: Deferred loss on advance refunding				<u>(1,406,800)</u>	
Total on statement of net assets				<u>\$ 37,447,771</u>	

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

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

**B. Series 2001 General Obligation School Facilities Improvement Bonds**

On April 1, 2001, the District issued \$49,600,000 in general obligation bonds (Series 2001, School Facilities Improvement Bonds). Payments of principal and interest relating to these bonds are recorded as expenditures of the bond retirement fund (a nonmajor governmental fund). The source of payment is derived from a current 4.18 (average) mil 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.

During fiscal year 2006, the District advance refunded a portion of the Series 2001 general obligation school facilities improvement bonds (see Note 11.C). The bonds which have been advance refunded were originally scheduled to mature on and from December 1, 2014 through and including December 1, 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

During fiscal year 2007, the District advance refunded a portion of the Series 2001 general obligation school facilities improvement bonds (see Note 11.D). The bonds which have been advance refunded were originally scheduled to mature on December 1, 2012, December 1, 2013, and on and from December 1, 2019 through and including December 1, 2023.

At June 30, 2011, the only remaining bonds on the Series 2001 general obligation bonds are current interest bonds that are scheduled to mature December 1, 2012.

Principal and interest requirements to retire remaining Series 2001 general obligation school facilities improvement bonds outstanding at June 30, 2011 are as follows:

Fiscal Year	Current Interest Bonds - Series 2001		
	Principal	Interest	Total
2012	\$ 1,830,000	\$ 38,888	\$ 1,868,888
Total	\$ 1,830,000	\$ 38,888	\$ 1,868,888

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

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

The bonds which have been advance refunded were originally scheduled to mature on and from December 1, 2014 through and including December 1, 2018. Proceeds of the issuance were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. At June 30, 2011, the balance of the refunded bonds was \$16,670,000.

The refunding issue is comprised of both current interest bonds, par value \$12,020,000, and capital appreciation bonds, par value \$1,200,000. The interest rates on the current interest bonds range from 3.00% to 5.00%. The capital appreciation bonds mature on December 1, 2015 (effective interest rate of 7.5219%) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2009 is \$1,200,000. Total accreted interest of \$650,608 has also been included on the statement of net assets.

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

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

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

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Principal and interest requirements to retire the Series 2005 general obligation refunding bonds outstanding at June 30, 2011 are as follows:

Fiscal Year	Current Interest Bonds - Series 2005			Capital Appreciation Bonds - Series 2005		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 135,000	\$ 516,256	\$ 651,256			\$ -
2013	140,000	511,613	651,613			-
2014	145,000	506,625	651,625			-
2015	2,425,000	452,556	2,877,556			-
2016	-	401,025	401,025	1,200,000	1,380,000	2,580,000
2017 - 2019	8,415,000	639,263	9,054,263	-	-	-
Total	<u>\$ 11,260,000</u>	<u>\$ 3,027,338</u>	<u>\$ 14,287,338</u>	<u>\$ 1,200,000</u>	<u>\$ 1,380,000</u>	<u>\$ 2,580,000</u>

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

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

The bonds which have been advance refunded were originally scheduled to mature on December 1, 2012, December 1, 2013, and on and from December 1, 2019 through and including December 1, 2023. Proceeds of the issuance were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. At June 30, 2011, the balance of the refunded bonds was \$22,605,000.

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

The current interest bonds are not subject to early redemption.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Principal and interest requirements to retire the Series 2006 general obligation refunding bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Current Interest Bonds - Series 2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 145,000	\$ 842,631	\$ 987,631
2013	2,110,000	797,532	2,907,532
2014	2,245,000	710,431	2,955,431
2015	110,000	663,331	773,331
2016	115,000	658,831	773,831
2017 - 2021	7,330,000	2,937,086	10,267,086
2022 - 2023	<u>7,805,000</u>	<u>346,391</u>	<u>8,151,391</u>
Total	<u>\$ 19,860,000</u>	<u>\$ 6,956,233</u>	<u>\$ 26,816,233</u>

**E. Legal Debt Margins**

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

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

The effects of these debt limitations at June 30, 2011 are a legal voted debt margin of \$89,808,787 (including available funds of \$3,596,271) and a legal unvoted debt margin of \$1,337,361.

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year, the District contracted with Ohio Casualty Insurance Company for general liability insurance with a \$1,000,000 single occurrence and a \$2,000,000 aggregate. Property insurance carries a \$2,500 deductible.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

The District has elected to provide employee medical/surgical benefits through United Health Care, a fully insured plan. The risk of loss transfers to the commercial carrier upon payment of the premium.

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 year 2010.

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

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$528,435, \$556,439 and \$394,768, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,980,167, \$1,946,419 and \$1,920,373, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$106,919 made by the District and \$76,371 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$134,501, \$91,756 and \$299,024, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$34,006, \$33,090 and \$28,676, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$152,321, \$149,725 and \$143,364, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 2,979,002
Net adjustment for revenue accruals	(246,680)
Net adjustment for expenditure accruals	(749,970)
Net adjustment for other sources/uses	493,926
Funds budgeted elsewhere	1,522
Adjustment for encumbrances	<u>38,892</u>
GAAP basis	<u>\$ 2,516,692</u>

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 - SET-ASIDES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ 29,477
Current year set-aside requirement	326,719	326,719
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(415,839)	(47,374)
Excess qualified expenditures from prior years	(1,751,739)	-
Current year offsets	-	(308,822)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (1,840,859)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. The District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT  
HAMILTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Child Nutrition Cluster:</b>						
Non-Cash Assistance (Food Distribution): National School Lunch Program	N/A	10.555	\$0	\$25,706	\$0	\$21,349
Cash Assistance: National School Lunch Program	3L60	10.555	53,407	0	53,407	0
<b>Total U.S. Department of Agriculture - Total Child Nutrition Cluster</b>			<b>53,407</b>	<b>25,706</b>	<b>53,407</b>	<b>21,349</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Title I, Part A Cluster:</b>						
Grants to Local Educational Agencies (Title I)	3M00	84.010	72,144	0	77,238	0
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA part B)	3M20	84.027	526,724	0	559,661	0
IDEA Preschool Grant	3C50	84.173	3,743	0	3,743	0
ARRA-IDEA Part B	3DJ0	84.391	238,905	0	297,606	0
ARRA-IDEA Preschool	3DL0	84.392	22,961	0	22,961	0
<b>Total Special Education Cluster</b>			<b>792,333</b>	<b>0</b>	<b>883,971</b>	<b>0</b>
Safe and Drug Free Schools	3D10	84.186	0	0	20	0
Title II-D - Educational Technology State Grants	3S20	84.318	229	0	218	0
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	52,979	0	53,975	0
ARRA-State Fiscal Stabilization Fund (SFSF) Education State Grants	GRF	84.394	82,000	0	82,000	0
Education Jobs Fund (Ed Jobs)	3ET0	84.410	22,755	0	19,840	0
<i>Passed through the Great Oaks Institute of Technology &amp; Career Development:</i>						
Career and Technical Education - Basic Grants to States (Perkins IV)	N/A	84.048	5,330	0	5,330	0
<b>Total U.S. Department of Education</b>			<b>1,027,770</b>	<b>0</b>	<b>1,122,592</b>	<b>0</b>
<b>Totals</b>			<b>\$1,081,177</b>	<b>\$25,706</b>	<b>\$1,175,999</b>	<b>\$21,349</b>

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

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

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 18, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 18, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Indian Hill Exempted Village School District, Hamilton County, Ohio (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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Indian Hill Exempted Village School District, Hamilton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 18, 2012

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster:  Special Education Grants to States (IDEA part B)– CFDA #84.027; IDEA Preschool Grant– CFDA #84.173; ARRA – IDEA Part B– CFDA #84.391; ARRA – IDEA Preschool– CFDA #84.392
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code, Section 117.53, states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Indian Hill Exempted Village School District, Hamilton County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 18, 2012

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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# Dave Yost • Auditor of State

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

HAMILTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 2, 2012