



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

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Indian Hill Exempted Village School District, Hamilton County, Ohio, (the District) as of and for the fiscal year ended June 30, 1999. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in accordance with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

February 24, 2000

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INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		General	
										Fixed Assets	Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash, cash equivalents and investments	\$9,299,285	\$168,600	\$28,494	\$93,529	\$105,796	\$56,422			\$9,723,632		
Cash with fiscal agent									28,494		
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent . .	13,991,466								13,991,466		
Accounts	13,653	648			14,067				28,368		
Accrued interest	135,986	292			406				136,684		
Due from other governments		11,845			2,880				14,725		
Prepayments	46,768								46,768		
Materials and supplies inventory	27,860				11,181				39,041		
Restricted assets:											
Equity in pooled cash and cash equivalents	97,976								97,976		
Property, plant and equipment (net of accumulated depreciation where applicable)					9,708		\$18,879,026		18,888,734		
OTHER DEBITS:											
Amount to be provided for retirement of General Long-Term Obligations								\$1,256,804	1,256,804		
Total assets and other debits	\$23,612,994	\$181,385	\$28,494	\$93,529	\$144,038	\$56,422	\$18,879,026	\$1,256,804	\$44,252,692		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Continued

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS - Continued
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total Memorandum (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General		Long-Term Obligations	
									General Fixed Assets			Long-Term Obligations
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$335,827	\$15,989			\$79					\$351,895		
Accrued wages and benefits	1,395,745	19,739								1,415,484		
Compensated absences payable	180,245							\$767,846		948,091		
Pension obligation payable	287,873	3,722						125,072		416,667		
Deferred revenue	8,130,548				4,546					8,135,094		
Due to other governments	7,823									7,823		
Due to students					\$43,560					43,560		
Matured bonds payable			\$28,494							28,494		
Obligation under capital lease								363,886		363,886		
Total liabilities	10,338,061	39,450	28,494		4,625	43,560		1,256,804		11,710,994		
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets							\$18,879,026			18,879,026		
Contributed capital					1,791					1,791		
Retained earnings: unreserved					137,622					137,622		
Fund balances:												
Reserved for encumbrances	1,131,328	50,990								1,182,318		
Reserved for supplies inventory	27,860									27,860		
Reserved for prepayments	46,768									46,768		
Reserved for tax revenue unavailable for appropriation	5,710,000									5,710,000		
Reserved for budget stabilization	97,976									97,976		
Unreserved-undesignated	6,261,001	90,945				12,862				6,458,337		
Total equity and other credits	13,274,933	141,935			139,413	12,862	18,879,026			32,541,698		
Total liabilities, equity and other credits	\$23,612,994	\$181,385	\$28,494		\$144,038	\$56,422	\$18,879,026	\$1,256,804		\$44,252,692		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expensible Trust	
Revenues:					
From local sources:					
Taxes	\$15,191,235				\$15,191,235
Tuition	14,248				14,248
Earnings on investments	693,474	\$23,104			716,578
Other local revenues	34,287	243,208		\$4,505	282,000
Other revenue	1,869,921				1,869,921
Intergovernmental - State	2,307,807	795,995	\$61,967		3,165,769
Intergovernmental - Federal		205,067			205,067
Total revenue	20,110,972	1,267,374	61,967	4,505	21,444,818
Expenditures:					
Current:					
Instruction:					
Regular	8,397,009	12,189			8,409,198
Special	1,948,243	83,309			2,031,552
Vocational	113,054				113,054
Other	4,721				4,721
Support services:					
Pupil	1,363,227	31,230			1,394,457
Instructional staff	1,706,808	68,074	68,902		1,843,784
Board of Education	23,138				23,138
Administration	912,513				912,513
Fiscal	484,201				484,201
Business	65,701				65,701
Operations and maintenance	2,576,927				2,576,927
Pupil transportation	1,195,086				1,195,086
Central	102,865				102,865
Community services	51,808	878,000		250	930,058
Extracurricular activities	537,923	249,711			787,634
Facilities services	1,156,830				1,156,830
Capital outlay	383,766				383,766
Debt service:					
Principal retirement	215,200				215,200
Interest and fiscal charges	8,823				8,823
Total expenditures	21,247,843	1,322,513	68,902	250	22,639,508
Excess (deficiency) of revenues over (under) expenditures	(1,136,871)	(55,139)	(6,935)	4,255	(1,194,690)
Other financing sources (uses):					
Operating transfers in		545			545
Operating transfers out	(545)				(545)
Proceeds of capital lease transaction	383,766				383,766
Proceeds from sale of assets	5,624				5,624
Total other financing sources (uses)	388,845	545			389,390
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(748,026)	(54,594)	(6,935)	4,255	(805,300)
Fund balance, July 1	14,448,521	196,529	100,464	8,607	14,754,121
Decrease in reserve for inventory	(1,109)				(1,109)
Prior Period Adjustment	(424,453)				(424,453)
Fund balance, June 30	\$13,274,933	\$141,935	\$93,529	\$12,862	\$13,523,259

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

HAMILTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:												
From local sources:												
Taxes.....	\$14,202,756	\$14,202,756	\$0				\$14,202,756	\$14,202,756	\$0			\$0
Tuition.....	29,681	29,681	0				29,681	29,681	0			0
Earnings on investments.....	656,590	656,590	0				679,401	679,401	0			0
Other local revenues.....	35,835	25,835	(10,000)			\$0	277,097	268,394	(8,703)			(8,703)
Other revenue.....	1,726,341	1,726,341	0			1,297	1,726,341	1,726,341	0			0
Intergovernmental - State.....	2,307,807	2,307,807	0			0	3,165,770	3,165,770	0			0
Intergovernmental - Federal.....							214,320	193,222	(21,098)			(21,098)
Total revenues.....	18,959,010	18,949,010	(10,000)	1,274,389	1,254,588	(19,801)	20,295,366	20,265,565	(29,801)			(29,801)
Expenditures:												
Current:												
Instruction:												
Regular.....	8,206,028	8,206,028	0	12,189	12,189	0	8,218,217	8,218,217	0			0
Special.....	1,923,165	1,923,165	0	105,112	83,088	22,024	2,028,277	2,006,253	22,024			22,024
Vocational.....	111,136	111,136	0				111,136	111,136	0			0
Other.....	4,721	4,721	0				4,721	4,721	0			0
Support services:												
Pupil.....	1,371,974	1,371,974	0	41,921	31,230	10,691	1,413,895	1,403,204	10,691			10,691
Instructional staff.....	1,810,092	1,810,092	0	66,082	67,643	(1,561)	2,038,605	1,946,637	91,968			91,968
Board of Education.....	26,858	26,858	0				26,858	26,858	0			0
Administration.....	1,138,914	1,138,914	0				1,138,914	1,138,914	0			0
Fiscal.....	479,987	479,987	0				479,987	479,987	0			0
Business.....	68,503	68,503	0				68,503	68,503	0			0
Operations and maintenance.....	3,174,251	3,174,251	0				3,174,251	3,174,251	0			0
Pupil transportation.....	1,417,612	1,417,612	0				1,417,612	1,417,612	0			0
Central.....	100,727	100,727	0				100,727	100,727	0			0
Community services.....	59,453	59,453	0	941,894	908,661	33,233	1,001,347	968,114	33,233			33,233
Extracurricular activities.....	549,576	549,576	0	283,003	259,768	23,235	832,579	809,344	23,235			23,235
Facilities services.....	1,493,935	1,493,935	0				1,493,935	1,493,935	0			0
Total expenditures.....	21,936,932	21,936,932	0	1,450,201	1,362,579	87,622	23,549,564	23,368,413	181,151			181,151
(Deficiency) of revenues (under) expenditures.....	(2,977,922)	(2,987,922)	(10,000)	(175,812)	(107,991)	67,821	(3,254,198)	(3,102,848)	151,350			151,350
Other financing sources (uses):												
Refund of prior year's expenditures.....	148,580	143,580	(5,000)				148,580	143,580	(5,000)			(5,000)
Refund of prior year's (receipts).....				(295)	(295)	0	(295)	(295)	0			0
Operating transfers in.....				545	545	0	545	545	0			0
Operating transfers (out).....	(545)	(545)	0				(545)	(545)	0			0
Proceeds of sale of fixed assets.....	5,554	5,554	0				5,554	5,554	0			0
Total other financing sources (uses).....	153,589	148,589	(5,000)	250	250	0	153,839	148,839	(5,000)			(5,000)
(Deficiency) of revenues and other financing sources (under) expenditures and other financing (uses).....	(2,824,333)	(2,839,333)	(15,000)	(175,562)	(107,741)	67,821	(3,100,464)	(2,954,009)	146,350			146,350
Fund balance, July 1.....	10,663,892	10,663,892	0	205,310	205,310	0	100,464	100,464	0			0
Prior year encumbrances appropriated.....	248,802	248,802	0	5,437	5,437	0	254,239	254,239	0			0
Fund balance, June 30.....	\$8,088,361	\$8,073,361	(\$15,000)	\$35,185	\$103,006	\$67,821	\$8,123,546	\$8,269,896	\$146,350			\$146,350

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1999

Operating revenues:	
Sales/charges for services.	\$692,762
Total operating revenues.	692,762
Operating expenses:	
Contract services	1,951
Materials and supplies.	680,830
Depreciation.	1,666
Total operating expenses.	684,447
Operating income.	8,315
Nonoperating revenues:	
Operating grants.	19,885
Federal commodities	12,500
Interest revenue	1,740
Total nonoperating revenues	34,125
Net income.	42,440
Addback of depreciation on fixed assets acquired from contributed capital	883
Retained earnings, July 1.	94,299
Retained earnings, June 30	\$137,622

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1999

Cash flows from operating activities:	
Cash received from sales/service charges	\$678,695
Cash payments for contract services	(1,951)
Cash payments supplies and materials	<u>(652,011)</u>
Net cash provided by operating activities.	24,733
Cash flows from noncapital financing activities:	
Cash received from operating grants.	<u>17,365</u>
Net cash provided by noncapital financing activities.	17,365
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,700)</u>
Net cash used in capital and related financing activities	(8,700)
Cash flows from investing activities:	
Interest received	<u>1,334</u>
Net cash provided by investing activities.	1,334
Net increase in cash and cash equivalents.	34,732
Cash and cash equivalents at beginning of year.	<u>71,064</u>
Cash and cash equivalents at end of year	<u><u>\$105,796</u></u>
Reconciliation of operating income net cash provided by operating activities:	
Operating income.	\$8,315
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,666
Federal donated commodities	12,500
Changes in assets and liabilities:	
Decrease in supplies inventory	15,490
Increase in accounts receivable	(14,067)
Increase in accounts payable	79
Increase in deferred revenue	<u>750</u>
Net cash provided by operating activities.	<u><u>\$24,733</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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 117 non-certified personnel and 208 certified teaching and administrative personnel to provide services to 2,152 students and other community members, which ranks it 262nd out of approximately 612 school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include all funds and account groups of the District (the primary government). The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. The District has no component units. The following organization is described due to its relationship with the District.

JOINT VENTURE WITHOUT EQUITY INTEREST

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

The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating districts. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$10,345 for services provided during the year. In accordance with GASB Statement No. 14, the District does not have an equity interest in H/CCA because the residual interest in the net resources

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the H/CCA of Boards of Education, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Following is the District's Proprietary Fund Type.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts. Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with a general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	<u>Increase (Decrease)</u>
General Fund	\$(603,405)
Special Revenue	275,465
Capital Projects	61,967
Enterprise	6,326
Expendable Trust	(1,222)
Agency	<u>157,859</u>
 Total All Funds	 <u><u>\$(103,010)</u></u>

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

Encumbrance accounting is utilized with school district funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting.

E. Cash and Investments

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

During fiscal 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), money market, U.S. Treasury Notes and Federal Agency securities, and repurchase agreements.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for June 30, 1999.

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

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 1999	\$ 8,669,132
Add: Proceeds of investments sold and matured fiscal 1999	9,942,844
Less: Cost of investments purchased	(8,691,424)
Less: Fair value at June 30, 1998	<u>(9,888,529)</u>
Change in fair value of investments	<u>\$ 32,023</u>

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

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General	\$693,474	\$718,958	\$ (25,484)
<u>Special Revenue Funds</u>			
Auxiliary services	23,104	6,947	16,157

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

F. Inventory

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

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

G. Prepays

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	30-50
Building Improvements	10-20
Improvements other than buildings	10-20
Furniture, Fixtures and Minor Equipment	8-20
Vehicles	10-15

I. Intergovernmental Revenues

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

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

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education
Vocational Education Travel/Salary

Special Revenue

Perkins Vocational Grant

Proprietary

National School Lunch Program
National School Milk Program

Grants and entitlements amounted to just over 11% of the District's operating revenue during the 1999 fiscal year.

J. Contributed Capital

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year end. The amount of depreciation is then "added back" to retained earnings, because the cost of providing services in the Enterprise funds does not include depreciation expense on amounts of contributed capital. See Note 9 for the change in contributed capital during fiscal year 1999.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

K. Compensated Absences

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

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

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

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

L. Long-Term Obligations

Long term obligations are recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

M. Fund Equity

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

N. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$97,976	\$97,976
Current year set-aside requirement	291,114	291,114	0	0
Current year offsets	0	0	0	0
Qualifying disbursements	<u>(1,293,879)</u>	<u>(2,240,803)</u>	<u>0</u>	<u>0</u>
Total	<u>(1,002,765)</u>	<u>(1,949,689)</u>	<u>97,976</u>	<u>97,976</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$97,976</u>	<u>\$97,976</u>

Expenditures for textbooks and capital acquisition exceeded the required set aside.

A schedule of the restricted assets at June 30, 1999 follows:

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

O. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. The District had no short-term interfund loans at June 30, 1999.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed. The District had no residual equity transfers at June 30, 1999.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no advances at June 30, 1999.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

P. Statement of Cash Flows

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

Q. Financial Reporting for Proprietary and Similar Fund Types

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

R. Parochial Schools

Within the District's 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 School District, as directed by the school. The receipt and expenditure of these state monies by the District are reflected in a Special Revenue fund for financial reporting purposes because the District has administrative involvement in the disbursement of the monies.

S. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

T. Estimates

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

U. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Legal Compliance

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

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>Special Revenue</u>	
Carl Perkins, Vocational Education	\$ 529

B. Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficit:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Title I	\$(4,157)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

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

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

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

Deposits: At year-end the carrying amount of the District's deposits was \$44,374 and the bank balance was \$302,192 (both amounts are exclusive of payroll clearance accounts). Of the bank balance:

1. \$128,494 was covered by federal depository insurance.
2. \$173,698 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	Category of Risk			Fair Value/ Carrying Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Money Market		\$467,307	\$ 467,307	
U.S. Treasury Notes	\$1,719,855			1,719,855
Federal Agency Securities	6,949,277			6,949,277
Not Subject to Categorization:				
Investment in State				
Treasurer's Investment Pool	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>669,289</u>
 Total Investments	 <u>\$8,669,132</u>	 <u>N/A</u>	 <u>\$467,307</u>	 <u>\$9,805,728</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(545)
<u>Special Revenue Funds</u>		
Public School Support	\$ 545	<u> </u>
Totals	<u>\$ 545</u>	<u>\$(545)</u>

NOTE 6 - PROPERTY TAXES

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

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$686,780,510. Agricultural/Residential and public utility real estate represented 81.24%, or \$557,913,750 of this total; Commercial/Industrial real estate represented 11.38%, or \$78,133,770 of this total; public utility tangible represented 2.87%, or \$19,743,090 of this total; and general tangible property represented 4.51%, or \$30,989,900. The voted general tax rate for operations during the period was \$36.51 per \$1,000.00 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (tuition, student fees and food service charges) accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$13,991,466
Accounts	13,653
Accrued Interest	135,986
<u>Special Revenue Funds</u>	
Due from other Governments	11,845
<u>Enterprise Funds</u>	
Accounts	14,067
Due from Other Governments	2,880

NOTE 8 - FIXED ASSETS

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

	(Restated) Balance <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 1999</u>
Land/				
Improvements	\$ 545,829			\$ 545,829
Buildings	11,769,727			11,769,727
Furniture/				
Equipment	2,781,586	\$ 716,626	10,060	3,488,152
Vehicles	1,712,122	168,030		1,880,152
Construction in Progress	<u> </u>	<u>1,195,166</u>	<u> </u>	<u>1,195,166</u>
Total	<u>\$16,809,264</u>	<u>\$2,079,822</u>	<u>\$ 10,060</u>	<u>\$18,879,026</u>

The beginning balance of the General Fixed Asset Account Group was restated to more accurately show financial presentation. The following is a schedule reflecting the affect on the beginning balance:

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - FIXED ASSETS (Continued)

	<u>Balance at 6-30-98</u>	<u>Restatement</u>	<u>Restated 6-30-98</u>
Land/ Improvements	\$ 501,523	\$44,306	\$545,829
Buildings	11,814,033	(44,306)	11,769,727
Furniture/ Equipment	2,499,405	282,181	2,781,586
Vehicles	1,457,674	254,448	1,712,122
Construction in Progress	No restatement applicable		

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 158,891
Less Accumulated Depreciation	<u>(149,183)</u>
Net Fixed Assets	<u>\$ 9,708</u>

NOTE 9 - CONTRIBUTED CAPITAL

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

Contributed Capital at Beginning of Year	\$2,674
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(883)</u>
Contributed Capital at End of Year	<u>\$1,791</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year, the District entered into a new capital lease for the acquisition of computer equipment. This lease is accounted for as a capital outlay expenditure and other financing source in the General fund. The District has also entered into capital lease agreements in prior years.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$215,200. This amount is reflected as debt service principal retirement in the General fund.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is an analysis of equipment leased under capital leases as of June 30, 1999:

	General Fixed Asset Account Group
Computer equipment	\$674,302

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 1999.

General Long-Term Obligations

<u>June 30 Year Ending</u>	<u>Computer Equipment</u>
2000	\$224,023
2001	144,825
2002	<u>23,026</u>
Total Future Minimum Lease Payments	391,874
Less: Amount Representing Interest	<u>(27,988)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$363,886</u></u>

The District does not have capitalized lease obligations after fiscal year 2002.

NOTE 11 - LONG-TERM OBLIGATIONS

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

A. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated Absences				
Sick Leave (Severance)	\$ 771,887	\$ 59,036	\$ (113,186)	\$ 717,737
Vacation	55,111	112,652	(117,654)	50,109
Pension Obligation Payable	107,336	125,072	(107,336)	125,072
Obligation Under Capital Lease	<u>195,320</u>	<u>383,766</u>	<u>(215,200)</u>	<u>363,886</u>
Total	<u>\$1,129,654</u>	<u>\$680,526</u>	<u>\$(553,376)</u>	<u>\$1,256,804</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

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

The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$61,810,246 and an unvoted debt margin of \$686,781.

NOTE 12 - RISK MANAGEMENT

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year, the District contracted with Nationwide Insurance Company for general liability insurance with a \$5,000,000 single occurrence and a \$5,000,000 aggregate. Property is insured by the Indiana Insurance Company and carries a \$1,000 deductible.

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

The District provides life insurance to all employees through Mutual of Omaha Insurance.

The District has elected to provide employee medical/surgical benefits through Anthem Community Mutual Insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

OSBA WORKERS' COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and uniform supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$643,975	\$ 48,787	\$692,762
Depreciation	1,666		1,666
Operating Income (Loss)	22,919	(14,604)	8,315

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

Operating Grants	19,885		19,885
Net Income (Loss)	57,044	(14,604)	42,440
Net Working Capital	123,074	6,631	129,705
Total Assets	137,407	6,631	144,038
Total Liabilities	4,625		4,625
Total Fund Equity	132,782	6,631	139,413
Contributed Capital	1,791		1,791

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1998; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$383,088, \$360,028, and \$318,789, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$187,608, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,285,339, \$1,251,097, and \$1,146,595, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$212,500, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$734,479 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$155,049 during the 1999 fiscal year.

NOTE 16 - 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 Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Governmental Fund Types		
	Special General <u>Fund</u>	Capital Revenue <u>Funds</u>	Projects <u>Fund</u>
Budget Basis	\$(2,839,333)	\$(107,741)	\$(6,935)
Net Adjustment for Revenue Accruals	1,161,962	12,786	
Net Adjustment for Expenditure Accruals	(614,066)	(25,528)	
Net Adjustment for Other Financing Sources/(Uses)	240,256	295	
Adjustment for Encumbrances	<u>1,303,155</u>	<u>65,594</u>	<u> </u>
GAAP Basis	<u>\$ (748,026)</u>	<u>\$ (54,594)</u>	<u>\$(6,935)</u>

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The School District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 1999.

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - CONTINGENT LIABILITIES (Continued)

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$718,683 of school foundation support for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 18 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was noted at June 30, 1999, due to an overstatement in Cash, Cash Equivalents and Investments from the GASB 31 year end adjustment. The amounts carried forward from June 30, 1998 were overstated. The amount of the prior period adjustment is \$424,453.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the general-purpose financial statements of the Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 1999-10431-001.

We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 24, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10431-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over

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

financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 24, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

February 24, 2000

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 1999-10431-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.412, states no school district is supposed to make any appropriation, make any contract, give any order to expend money or increase salary schedules during the year without attaching a "412" certificate. The certificate should be signed by the Treasurer, Board President and the Superintendent.

During the fiscal year, the District did not properly execute and file "412" certificates for two appropriations and ten contracts. Failure to submit a "412" certificate to the County Auditor could result in not receiving property taxes or other payments under Ohio Revised Code Chapter 3317.

As a result of the "412" certificates not being properly executed, the District could enter into contracts for which funding was not available. Also, the District runs the risk of making expenditures in excess of appropriations.

The "412" certification process should start with the identification of the appropriate contracts, appropriations and salary schedule changes which require a "412" certificate. The Board should then take steps to assure that the proper certificate is being prepared. Further steps should then be taken to assure the certificate is being properly executed.

We recommend that for all appropriation transactions, contracts, and changes to salary schedules, the Board properly execute a "412" certificate.

The District did not prepare the "412" certificates after the fiscal year end during the course of the audit.

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1998-10431-001	Ohio Rev. Code, Section 5705.41(D) - Forty-seven percent (47%) of purchases audited were initiated without obtaining the prior certification of the Treasurer and were not subsequently approved by the Board within the required time period.	No	Partially Corrected, testing of the current year resulted in a seven percent (7%) compliance error rate.



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INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2000**