

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

HAMILTON COUNTY, OHIO

SINGLE AUDIT

For the Year Ended June 30, 2006

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

Board of Trustees
Indian Hills Exempted Village School District
6855 Drake Road
Cincinnati, Ohio 45243-2737

We have reviewed the *Report of Independent Accountants* of the Indian Hills Exempted Village School District, Hamilton County, prepared by J.L. Uhrig & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 6, 2007

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INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District (the District) as of and for the year ended June 30, 2006, 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 an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position and the respective 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, for the year ended June 30, 2006, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*," GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*", and GASB Statement No. 47, "*Accounting for Termination Benefits*".

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Board of Education
Indian Hill Exempted Village School District
Independent Auditor's Report

Management's Discussion and Analysis on pages 3 through 14, is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

February 13, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$5,196,169, which represents a 19.99% increase from 2005.
- General revenues accounted for \$36,329,879 in revenue or 93.08% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,701,111 or 6.92% of total revenues of \$39,030,990.
- The District had \$33,834,821 in expenses related to governmental activities; only \$2,701,111 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 \$36,329,879 were adequate to provide for these programs.
- The District has two major governmental funds. They are the general fund and debt service fund. The general fund had \$31,667,504 in revenues and \$27,232,012 in expenditures. During fiscal 2006, the general fund's fund balance increased \$4,435,492 from \$15,547,818 to \$19,983,310.
- The debt service fund is a major fund of the District. The debt service fund had \$19,307,294 in revenues and other financing sources and \$17,997,183 in expenditures and other financing uses. During fiscal 2006, the debt service fund's fund balance increased \$1,310,111 from \$3,313,347 to \$4,623,458.
- The District has \$51,226,004 in capital assets at June 30, 2006. This amount is net of accumulated depreciation in the amount of \$18,008,559. Fiscal year 2006 depreciation expense was \$2,251,623. Total capital assets, net of related debt to acquire or construct the assets were \$6,107,004 at June 30, 2006.
- The District has \$46,826,772 in long-term liabilities outstanding at June 30, 2006. Of this total, \$1,773,978 is due within one year and \$45,052,794 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 and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 2006?" 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 major governmental funds are the general fund and debt service 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, 2006, 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, 2006

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 23-49 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 2006 and 2005.

| | Net Assets | |
|---|------------------------------------|------------------------------------|
| | Governmental Activities 2006 | Governmental Activities 2005 |
| <u>Assets</u> | | |
| Current and other assets | \$ 47,265,455 | \$37,736,423 |
| Capital assets | <u>51,526,004</u> | <u>53,015,059</u> |
| Total assets | <u>98,791,459</u> | <u>90,751,482</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 20,768,266 | 16,640,608 |
| Long-term liabilities | <u>46,826,772</u> | <u>48,110,622</u> |
| Total liabilities | <u>67,595,038</u> | <u>64,751,230</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 6,107,004 | 7,684,734 |
| Restricted | 5,661,299 | 3,241,478 |
| Unrestricted | <u>19,428,118</u> | <u>15,074,040</u> |
| Total net assets | <u>\$ 31,196,421</u> | <u>\$26,000,252</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$31,196,421. Of this total \$5,661,299 is restricted in use resulting in a balance of unrestricted net assets of \$19,428,118.

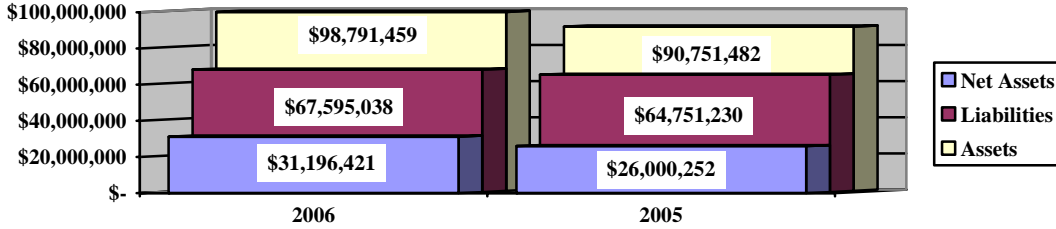
At fiscal year-end, capital assets represented 52.16% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$6,107,004. These capital assets 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, \$5,661,299, represents resources that are subject to external restriction on how they may be used. Of this total, \$944,080 is restricted for capital projects, \$4,453,924 is restricted for debt service, \$136,779 is restricted for state funded programs, \$1,795 is restricted for federally funded programs, and \$124,721 is restricted for student activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Governmental Activities



The table below shows the change in net assets for fiscal years 2006 and 2005.

Change in Net Assets

| | Governmental Activities 2006 | Governmental Activities 2005 |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 797,581 | \$ 1,011,354 |
| Operating grants and contributions | 1,903,530 | 1,824,308 |
| Capital grants and contributions | - | 21,000 |
| General revenues: | | |
| Property taxes | 28,584,917 | 24,164,718 |
| Grants and entitlements | 6,666,118 | 6,010,939 |
| Investment earnings | 779,151 | 386,803 |
| Miscellaneous | 299,693 | 80,386 |
| Total revenues | <u>39,030,990</u> | <u>33,499,508</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Change in Net Assets

| | Governmental Activities <u>2006</u> | Governmental Activities <u>2005</u> |
|--|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 13,585,786 | 11,341,128 |
| Special | 2,679,984 | 2,641,551 |
| Vocational | 86,940 | 84,760 |
| Other | 76,621 | 76,702 |
| Support services: | | |
| Pupil | 1,856,352 | 1,973,837 |
| Instructional staff | 2,488,806 | 2,417,495 |
| Board of education | 18,846 | 28,112 |
| Administration | 2,159,841 | 2,142,641 |
| Fiscal | 732,224 | 655,844 |
| Business | 93,927 | 102,221 |
| Operations and maintenance | 3,518,233 | 3,113,316 |
| Pupil transportation | 1,736,190 | 1,846,897 |
| Central | 34,788 | 30,523 |
| Operations of non-instructional services | 190,657 | 146,935 |
| Extracurricular activities | 800,051 | 789,196 |
| Intergovernmental pass through | 1,004,262 | 953,171 |
| Food service operations | 783,993 | 467,706 |
| Interest and fiscal charges | <u>1,987,320</u> | <u>2,532,894</u> |
| Total expenses | <u>33,834,821</u> | <u>31,344,929</u> |
| Change in net assets | 5,196,169 | 2,154,579 |
| Net assets at beginning of year | <u>26,000,252</u> | <u>23,845,673</u> |
| Net assets at end of year | <u>\$ 31,196,421</u> | <u>\$ 26,000,252</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$5,196,169. Total governmental expenses of \$33,834,821 were offset by program revenues of \$2,701,111 and general revenues of \$36,329,879. Program revenues supported 7.98% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 90.32% of total governmental revenue.

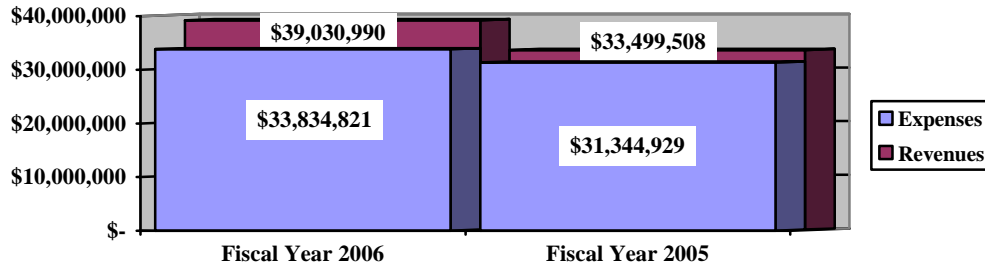
The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,429,331 or 48.56% of total governmental expenses for fiscal year 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

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 2006 | Net Cost of Services 2006 | Total Cost of Services 2005 | Net Cost of Services 2005 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 13,585,786 | \$ 13,550,601 | \$ 11,341,128 | \$ 11,188,500 |
| Special | 2,679,984 | 2,501,861 | 2,641,551 | 2,466,191 |
| Vocational | 86,940 | 86,940 | 84,760 | 84,760 |
| Other | 76,621 | 76,621 | 76,702 | 76,702 |
| Support services: | | | | |
| Pupil | 1,856,352 | 1,847,045 | 1,973,837 | 1,963,455 |
| Instructional staff | 2,488,806 | 1,987,827 | 2,417,495 | 1,918,100 |
| Board of education | 18,846 | 18,846 | 28,112 | 28,112 |
| Administration | 2,159,841 | 2,159,841 | 2,142,641 | 2,142,641 |
| Fiscal | 732,224 | 732,224 | 655,844 | 655,844 |
| Business | 93,927 | 93,927 | 102,221 | 102,221 |
| Operations and maintenance | 3,518,233 | 3,518,233 | 3,113,316 | 3,113,316 |
| Pupil transportation | 1,736,190 | 1,714,103 | 1,846,897 | 1,835,624 |
| Central | 34,788 | 34,788 | 30,523 | 23,505 |
| Operations of non-instructional services | 190,657 | 107,552 | 146,935 | 51,944 |
| Extracurricular activities | 800,051 | 616,190 | 789,196 | 556,425 |
| Intergovernmental pass through | 1,004,262 | (31,279) | 953,171 | (41,185) |
| Food service operations | 783,993 | 131,070 | 467,706 | (210,782) |
| Interest and fiscal charges | 1,987,320 | 1,987,320 | 2,532,894 | 2,532,894 |
| Total expenses | <u>\$ 33,834,821</u> | <u>\$ 31,133,710</u> | <u>\$ 31,344,929</u> | <u>\$ 28,488,267</u> |

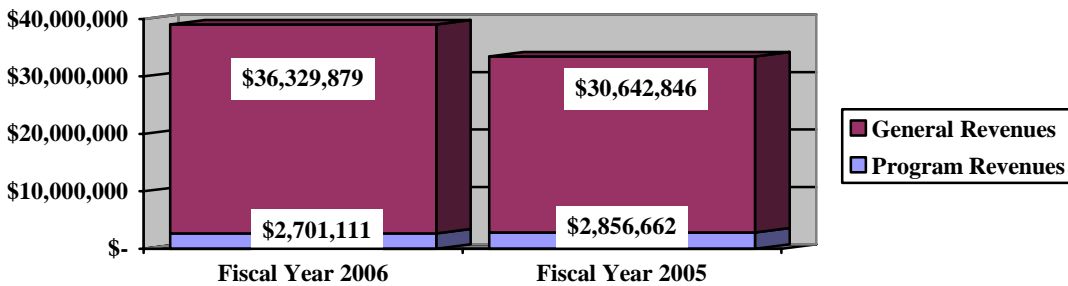
**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The dependence upon tax and other general revenues for governmental activities is apparent, 98.70% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 92.02%. 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 2006 and 2005.

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 \$26,066,491, which is higher than last year's total of \$20,727,326. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

| | Fund Balance <u>June 30, 2006</u> | Fund Balance <u>June 30, 2005</u> | Increase <u>(Decrease)</u> |
|--------------------|--------------------------------------|--------------------------------------|-------------------------------|
| General | \$ 19,983,310 | \$ 15,547,818 | \$ 4,435,492 |
| Debt Service | 4,623,458 | 3,313,347 | 1,310,111 |
| Other Governmental | <u>1,459,723</u> | <u>1,866,161</u> | <u>(406,438)</u> |
| Total | <u>\$ 26,066,491</u> | <u>\$ 20,727,326</u> | <u>\$ 5,339,165</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

General Fund

The District's general fund balance increased \$4,435,492 from June 30, 2005. The table that follows assists in illustrating the financial activities of the general fund.

| | <u>2006</u> <u>Amount</u> | <u>2005</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 24,390,875 | \$ 20,467,476 | \$ 3,923,399 | 19.17 % |
| Earnings on investments | 786,520 | 371,271 | 415,249 | 111.85 % |
| Extracurricular | 5,725 | 25,381 | (19,656) | (77.44) % |
| Intergovernmental | 6,224,008 | 5,615,277 | 608,731 | 10.84 % |
| Other revenues | <u>260,376</u> | <u>35,398</u> | <u>224,978</u> | 635.57 % |
| Total | <u>\$ 31,667,504</u> | <u>\$ 26,514,803</u> | <u>\$ 5,152,701</u> | 19.43 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 14,646,693 | \$ 13,939,758 | \$ 706,935 | 5.07 % |
| Support services | 11,632,631 | 10,556,117 | 1,076,514 | 10.20 % |
| Operation of non-instructional services | 19,883 | 30,379 | (10,496) | (34.55) % |
| Extracurricular activities | 556,513 | 572,672 | (16,159) | (2.82) % |
| Facilities acquisition and construction | 28,837 | 3,000 | 25,837 | 861.23 % |
| Capital outlay | - | 267,000 | (267,000) | (100.00) % |
| Debt service | <u>347,455</u> | <u>395,994</u> | <u>(48,539)</u> | (12.26) % |
| Total | <u>\$ 27,232,012</u> | <u>\$ 25,764,920</u> | <u>\$ 1,467,092</u> | 5.69 % |

The increase in tax revenue is due primarily to an increase in the amount of real estate tax collected that was available as an advance at fiscal year-end. This amount can fluctuate depending upon when tax bills are sent. Earnings on investments increased due to interest rate increases by the Federal Reserve Bank on available investments.

Debt Service Fund

The District's debt service fund balance increased \$1,310,111. The debt service fund had revenues and other financing sources of \$19,307,294 and expenditures and other financing uses of \$17,997,183. The primary revenue source was tax revenue which was \$4,216,927 in fiscal year 2006 and \$3,542,981 in fiscal year 2005. During fiscal year 2006, the debt service fund made \$1,295,000 in principal payments and \$2,047,615 in interest payments. The District also advance refunded part of the outstanding general obligation bonded debt.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

During the course of fiscal 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$28,441,584, which was higher than the original budgeted revenues estimate of \$24,572,855. Actual revenues and other financing sources for fiscal 2006 was \$28,441,584. This matches the final budgeted revenues.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$26,590,503 and \$26,732,233, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$26,732,109, which was \$124 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$51,226,004 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 2006 balances compared to the fiscal 2005 balances:

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

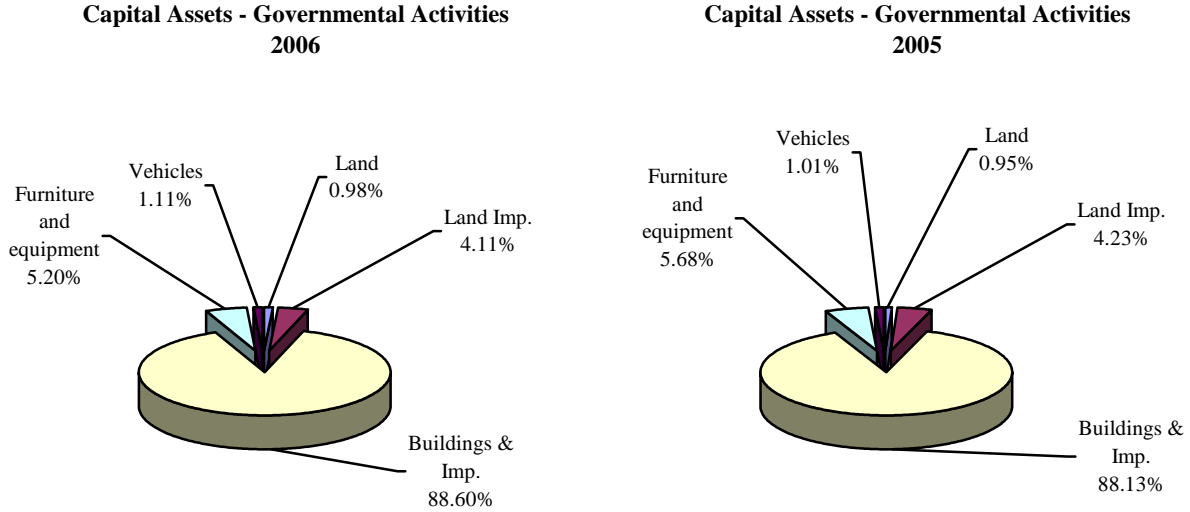
| | Governmental Activities | |
|----------------------------|-------------------------|----------------------|
| | 2006 | 2005 |
| Land | \$ 501,523 | \$ 501,523 |
| Land improvements | 2,102,880 | 2,243,298 |
| Buildings and improvements | 45,388,488 | 46,726,324 |
| Furniture and equipment | 2,663,507 | 3,009,762 |
| Vehicles | 569,606 | 534,152 |
| Total | <u>\$ 51,226,004</u> | <u>\$ 53,015,059</u> |

Total additions to capital assets for 2006 were \$462,568 and there were no disposals (net of accumulated depreciation). The overall decrease in capital assets of \$1,789,055 is primarily due to depreciation expense of \$2,251,623.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graphs below present the District's capital assets for fiscal 2006 and fiscal 2005.



See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006, the District had \$44,934,293 in general obligation bonds. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2006</u> | Governmental Activities <u>2005</u> |
|--------------------------|---|---|
| General obligation bonds | <u>\$ 44,934,293</u> | <u>\$ 46,150,000</u> |
| Total | <u>\$ 44,934,293</u> | <u>\$ 46,150,000</u> |

The District has issued various general obligation bonds to provide resources to finance construction projects throughout the District. The District's general obligation bonds consist of both current interest serial bonds and current interest term bonds. The District's general obligation bond activity is detailed in Note 10 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Current Financial Related Activities

The District relies heavily upon grants, entitlements, and property taxes. These combined revenues increased in fiscal year 2006, largely due to the sexennial reappraisal in Hamilton County for Tax Year 2005. Similarly the District's expenditures decreased about 14% due to the completion of the building project. Without the anomalies of a completing building project, the District's expenditures increased 3% from last year.

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 preceding information shows, the general fund cash balance was \$13,105,216 at June 30, 2006. The general fund cash balance includes interest earnings from the bond issue proceeds and bond tax collections as well as TIF funds received from the bond millage. On a GAAP basis, these amounts are consolidated with the general fund. Fiscal year-end general fund cash balances were \$11,109,059, \$12,260,860, \$11,838,277, \$10,331,624, \$7,370,618, \$7,300,828, and \$9,376,516 at June 30 in Fiscal Years 2005, 2004, 2003, 2002, 2001, 2000, and 1999, respectively. Sound fiscal management by the Board of Education and Administration 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 2011. 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 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.

Several important legislative and judicial actions have occurred that have had significant impact on our School 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. 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 State budget. The biennial budget approved by the State for Fiscal Years 2006 and 2007 does not portend additional funding for Indian Hill Schools. Changes to the State's school foundation funding formula as well as tangible personal property tax phase-out will cause a decline in those revenue streams. The District anticipates nearly flat valuations beginning in (tax year) 2006 following the Hamilton County sexennial reappraisal in (tax year) 2005. In spite of this, the Board is committed to balancing its operating budget.

Steady or slightly increasing enrollment over the past several years is a trend that has received, and will continue to receive, the attention of the Board and Administration. 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. The budgeting and internal controls utilized by the School District are well regarded by the Auditor of State, as exemplified by the unqualified audit opinions that have been received. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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.

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 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.

Presently, the District's largest commercial taxpayer, Kenwood Towne Centre, has filed an appeal of the local Board of Revision decision to uphold the Auditor's valuation with the State's Department of Taxation. The District has also filed an appeal of the local Board of Revision decision seeking an increase to the County Auditor's valuation.

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, which is measured by a defined set of proficiency criteria. Our most recent state report card shows the District students achieving a perfect 23 out of 23.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 17,523,564 |
| Receivables: | |
| Taxes | 29,444,316 |
| Accounts | 280,850 |
| Intergovernmental | 11,587 |
| Accrued interest | 140,420 |
| Prepayments | 6,683 |
| Materials and supplies inventory. | 4,212 |
| Bond issuance costs | 153,823 |
| Capital assets: | |
| Land | 501,523 |
| Depreciable capital assets, net | 50,724,481 |
| Total capital assets, net. | <u>51,226,004</u> |
| Total assets. | <u>98,791,459</u> |
| Liabilities: | |
| Accounts payable. | 480,530 |
| Contracts payable | 94,495 |
| Accrued wages and benefits | 2,275,527 |
| Pension obligation payable. | 677,135 |
| Intergovernmental payable | 160,474 |
| Deferred revenue | 16,830,782 |
| Accrued interest payable | 220,831 |
| Matured bonds payable | 28,492 |
| Long-term liabilities: | |
| Due within one year. | 1,773,978 |
| Due within more than one year | 45,052,794 |
| Total liabilities | <u>67,595,038</u> |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 6,107,004 |
| Restricted for: | |
| Capital projects | 944,080 |
| Debt service. | 4,453,924 |
| State funded programs. | 136,779 |
| Federally funded programs. | 1,795 |
| Student activities. | 124,721 |
| Unrestricted | <u>19,428,118</u> |
| Total net assets | <u>\$ 31,196,421</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, 2006

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|--------------------------------------|--|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 13,585,786 | \$ 7,125 | \$ 28,060 | \$ (13,550,601) |
| Special | 2,679,984 | - | 178,123 | (2,501,861) |
| Vocational | 86,940 | - | - | (86,940) |
| Other | 76,621 | - | - | (76,621) |
| Support services: | | | | |
| Pupil | 1,856,352 | 5,824 | 3,483 | (1,847,045) |
| Instructional staff | 2,488,806 | - | 500,979 | (1,987,827) |
| Board of education | 18,846 | - | - | (18,846) |
| Administration | 2,159,841 | - | - | (2,159,841) |
| Fiscal | 732,224 | - | - | (732,224) |
| Business | 93,927 | - | - | (93,927) |
| Operations and maintenance | 3,518,233 | - | - | (3,518,233) |
| Pupil transportation | 1,736,190 | - | 22,087 | (1,714,103) |
| Central | 34,788 | - | - | (34,788) |
| Operation of non-instructional services | 190,657 | - | 83,105 | (107,552) |
| Extracurricular activities | 800,051 | 183,861 | - | (616,190) |
| Intergovernmental pass through | 1,004,262 | - | 1,035,541 | 31,279 |
| Food service operations | 783,993 | 600,771 | 52,152 | (131,070) |
| Interest and fiscal charges | 1,987,320 | - | - | (1,987,320) |
| Total governmental activities | \$ 33,834,821 | \$ 797,581 | \$ 1,903,530 | (31,133,710) |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| | | | | 24,381,789 |
| | | | | 4,203,128 |
| | | | | 6,666,118 |
| | | | | 779,151 |
| | | | | 299,693 |
| | | | | 36,329,879 |
| | | | | 5,196,169 |
| | | | | 26,000,252 |
| | | | | \$ 31,196,421 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and investments. | \$ 13,105,216 | \$ 2,758,606 | \$ 1,659,742 | \$ 17,523,564 |
| Receivables: | | | | |
| Taxes | 25,844,107 | 3,600,209 | - | 29,444,316 |
| Accounts | 227,642 | 40,551 | 12,657 | 280,850 |
| Intergovernmental | - | - | 11,587 | 11,587 |
| Accrued interest | 138,884 | - | 1,536 | 140,420 |
| Prepayments | 6,683 | - | - | 6,683 |
| Materials and supplies inventory | - | - | 4,212 | 4,212 |
| Total assets | <u>\$ 39,322,532</u> | <u>\$ 6,399,366</u> | <u>\$ 1,689,734</u> | <u>\$ 47,411,632</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 436,715 | \$ - | \$ 43,815 | \$ 480,530 |
| Contracts payable | - | - | 94,495 | 94,495 |
| Accrued wages and benefits. | 2,225,262 | - | 50,265 | 2,275,527 |
| Compensated absences payable. | 219,874 | - | - | 219,874 |
| Pension obligation payable | 647,774 | - | 29,361 | 677,135 |
| Intergovernmental payable | 154,732 | - | 5,742 | 160,474 |
| Matured bonds payable. | 28,492 | - | - | 28,492 |
| Deferred revenue | 15,626,373 | 1,775,908 | 6,333 | 17,408,614 |
| Total liabilities | <u>19,339,222</u> | <u>1,775,908</u> | <u>230,011</u> | <u>21,345,141</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | 172,252 | - | 357,183 | 529,435 |
| Reserved for materials and supplies inventory. | - | - | 4,212 | 4,212 |
| Reserved for property tax unavailable for appropriation | 10,083,000 | 1,813,000 | - | 11,896,000 |
| Reserved for prepayments | 6,683 | - | - | 6,683 |
| Reserved for debt service. | - | 2,810,458 | - | 2,810,458 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 9,721,375 | - | - | 9,721,375 |
| Special revenue funds. | - | - | 445,830 | 445,830 |
| Capital projects funds. | - | - | 652,498 | 652,498 |
| Total fund balances | <u>19,983,310</u> | <u>4,623,458</u> | <u>1,459,723</u> | <u>26,066,491</u> |
| Total liabilities and fund balances | <u>\$ 39,322,532</u> | <u>\$ 6,399,366</u> | <u>\$ 1,689,734</u> | <u>\$ 47,411,632</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, 2006

| | | | |
|--|----|------------|--------------|
| Total governmental fund balances | | \$ | 26,066,491 |
| <i>Amounts reported for governmental activities in 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. | | | 51,226,004 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes | \$ | 571,499 | |
| Intergovernmental revenue | | 6,333 | |
| Total | | | 577,832 |
| Unamortized deferred charges on refundings are not recognized in the funds. | | | 1,130,966 |
| Unamortized premiums on bond and note issuances are not recognized in the funds. | | | (1,288,584) |
| Unamortized bond issuance costs are not recognized in the funds. | | | 153,823 |
| 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 | | 44,934,293 | |
| Capital lease obligation | | 47,000 | |
| Lease purchase agreement | | 217,000 | |
| Compensated absences | | 1,250,987 | |
| Accrued interest payable | | 220,831 | |
| Total | | | (46,670,111) |
| Net assets of governmental activities | | \$ | 31,196,421 |

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, 2006

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 24,390,875 | \$ 4,216,927 | \$ - | \$ 28,607,802 |
| Tuition | 1,400 | - | - | 1,400 |
| Earnings on investments | 786,520 | - | 22,749 | 809,269 |
| Charges for services | - | - | 600,771 | 600,771 |
| Extracurricular | 5,725 | - | 189,685 | 195,410 |
| Other local revenues | 258,976 | 40,551 | 166 | 299,693 |
| Intergovernmental - intermediate sources | 2,319,074 | - | - | 2,319,074 |
| Intergovernmental - state | 3,904,934 | 442,110 | 1,063,338 | 5,410,382 |
| Intergovernmental - federal | - | - | 849,165 | 849,165 |
| Total revenue | <u>31,667,504</u> | <u>4,699,588</u> | <u>2,725,874</u> | <u>39,092,966</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 12,131,595 | - | 22,685 | 12,154,280 |
| Special | 2,367,403 | - | 178,771 | 2,546,174 |
| Vocational | 72,344 | - | - | 72,344 |
| Other | 75,351 | - | - | 75,351 |
| Support Services: | | | | |
| Pupil | 1,789,538 | - | 10,383 | 1,799,921 |
| Instructional staff | 1,975,292 | - | 520,021 | 2,495,313 |
| Board of education | 18,534 | - | - | 18,534 |
| Administration | 2,052,118 | - | - | 2,052,118 |
| Fiscal | 672,886 | 46,862 | - | 719,748 |
| Business | 92,370 | - | - | 92,370 |
| Operations and maintenance | 3,463,717 | - | - | 3,463,717 |
| Pupil transportation | 1,533,965 | - | 22,181 | 1,556,146 |
| Central | 34,211 | - | - | 34,211 |
| Operation of non-instructional services | 19,883 | - | 85,769 | 105,652 |
| Extracurricular activities | 556,513 | - | 158,886 | 715,399 |
| Food service operations | - | - | 622,486 | 622,486 |
| Facilities acquisition and construction | 28,837 | - | 469,595 | 498,432 |
| Intergovernmental pass through | - | - | 1,041,535 | 1,041,535 |
| Debt service: | | | | |
| Principal retirement | 330,000 | 1,295,000 | - | 1,625,000 |
| Interest and fiscal charges | 17,455 | 2,047,615 | - | 2,065,070 |
| Bond issuance costs | - | 165,656 | - | 165,656 |
| Total expenditures | <u>27,232,012</u> | <u>3,555,133</u> | <u>3,132,312</u> | <u>33,919,457</u> |
| Excess of revenues over (under) expenditures | <u>4,435,492</u> | <u>1,144,455</u> | <u>(406,438)</u> | <u>5,173,509</u> |
| Other financing sources (uses): | | | | |
| Premium on sale of bonds | - | 1,387,706 | - | 1,387,706 |
| Proceeds from sale of bonds | - | 13,220,000 | - | 13,220,000 |
| Payment to refunded bonds escrow agent | - | (14,442,050) | - | (14,442,050) |
| Total other financing sources (uses) | <u>-</u> | <u>165,656</u> | <u>-</u> | <u>165,656</u> |
| Net change in fund balances | 4,435,492 | 1,310,111 | (406,438) | 5,339,165 |
| Fund balances at beginning of year | <u>15,547,818</u> | <u>3,313,347</u> | <u>1,866,161</u> | <u>20,727,326</u> |
| Fund balances at end of year | <u>\$ 19,983,310</u> | <u>\$ 4,623,458</u> | <u>\$ 1,459,723</u> | <u>\$ 26,066,491</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, 2006

| | | |
|--|-----------|------------------|
| Net change in fund balances - total governmental funds | \$ | 5,339,165 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,251,623) exceeds capital outlays (\$462,568) in the current period. | | (1,789,055) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (61,976) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | 14,515,000 |
| Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | 330,000 |
| Proceeds of sale of bonds are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. | | (13,220,000) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | 81,545 |
| Unamortized premiums on bond issuances are not recognized in the funds. | | (1,288,584) |
| Unamortized deferred charges on refundings are not recognized in the funds. | | 1,130,966 |
| Unamortized bond issuance costs are not recognized in the funds. | | 153,823 |
| Some expenses reported in the statement of activities, such as compensated absences, future retirement obligations, and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | 5,285 |
| Change in net assets of governmental activities | \$ | 5,196,169 |

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, 2006

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 18,673,243 | \$ 21,613,141 | \$ 21,613,141 | \$ - |
| Tuition. | 1,210 | 1,400 | 1,400 | - |
| Earnings on investments. | 488,948 | 565,928 | 565,928 | - |
| Extracurricular. | 4,946 | 5,725 | 5,725 | - |
| Other local revenues. | 24,962 | 28,892 | 28,892 | - |
| Intergovernmental - intermediate sources. | 2,003,625 | 2,319,074 | 2,319,074 | - |
| Intergovernmental - state | 3,373,770 | 3,904,934 | 3,904,934 | - |
| Total revenue | <u>24,570,704</u> | <u>28,439,094</u> | <u>28,439,094</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 12,102,289 | 12,167,575 | 12,063,012 | 104,563 |
| Special. | 2,282,883 | 2,295,198 | 2,349,155 | (53,957) |
| Vocational. | 71,684 | 71,684 | 71,167 | 517 |
| Other. | 74,253 | 74,253 | 75,351 | (1,098) |
| Support Services: | | | | |
| Pupil. | 1,851,431 | 1,861,419 | 1,738,103 | 123,316 |
| Instructional staff | 1,984,928 | 1,995,636 | 1,855,316 | 140,320 |
| Board of education | 19,213 | 19,213 | 26,147 | (6,934) |
| Administration. | 2,072,822 | 2,084,004 | 2,046,919 | 37,085 |
| Fiscal | 617,089 | 620,418 | 656,426 | (36,008) |
| Business | 98,928 | 98,928 | 93,098 | 5,830 |
| Operations and maintenance. | 3,213,378 | 3,230,713 | 3,492,015 | (261,302) |
| Pupil transportation | 1,572,508 | 1,580,991 | 1,622,639 | (41,648) |
| Central. | 30,244 | 30,244 | 33,497 | (3,253) |
| Operation of non-instructional services | 20,280 | 20,280 | 16,847 | 3,433 |
| Extracurricular activities. | 575,317 | 578,421 | 561,051 | 17,370 |
| Facilities acquisition and construction. | 3,090 | 3,090 | 30,617 | (27,527) |
| Total expenditures | <u>26,590,337</u> | <u>26,732,067</u> | <u>26,731,360</u> | <u>707</u> |
| Excess of revenues over (under) expenditures. | <u>(2,019,633)</u> | <u>1,707,027</u> | <u>1,707,734</u> | <u>707</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of capital assets. | 2,151 | 2,490 | 2,490 | - |
| Refund of prior year receipt. | (166) | (166) | (749) | (583) |
| Total other financing sources (uses) | <u>1,985</u> | <u>2,324</u> | <u>1,741</u> | <u>(583)</u> |
| Net change in fund balance | (2,017,648) | 1,709,351 | 1,709,475 | 124 |
| Fund balance at beginning of year | 11,003,621 | 11,003,621 | 11,003,621 | - |
| Prior year encumbrances appropriated | 131,292 | 131,292 | 131,292 | - |
| Fund balance at end of year | <u>\$ 9,117,265</u> | <u>\$ 12,844,264</u> | <u>\$ 12,844,388</u> | <u>\$ 124</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

| | <u>Agency</u> |
|--|------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 38,584 |
| Total assets | <u>\$ 38,584</u> |
| Liabilities: | |
| Accounts payable. | \$ 331 |
| Due to students | <u>38,253</u> |
| Total liabilities | <u>\$ 38,584</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 198 certified teaching and administrative personnel and 120 non-certified personnel to provide services to 2,251 students and other community members, which ranks it 244th out of 615 public school districts in 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do 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", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods 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, 2006

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 organizations 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) or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. 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). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

The 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 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of HCCA consists of the superintendents and/or treasurers of the participating districts. HCCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCCA Board of Education, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.B. for further information on this group rating plan.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) food service and uniform school supplies operations; and (c) grants and other resources whose use is restricted to a particular purpose.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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.

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 Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

Deferred Revenue - Deferred revenue arises 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, 2006, but which were levied to finance fiscal year 2007 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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. Allocation 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 express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Hamilton County Budget Commission for rate determination.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

During fiscal year 2006, investments were limited to federal agency securities, U.S. Government money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earning 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 2006 amounted to \$786,520, which includes \$187,009 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, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method which means that the cost of inventory items is recorded as an expenditure in the governmental funds when consumed.

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 \$5,000 for its general capital assets during fiscal 2006. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the “vesting method”. 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 entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. 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, claims and judgments, compensated absences, and contractually required pension contributions 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property tax unavailable for appropriation, prepayments, and debt service. The reserve for property tax unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

L. 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.

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

N. 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.

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. See Note 16 for additional information regarding set-asides.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

P. 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.

Q. 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.

R. 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 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34, establishing accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This statement also requires governments to disclose in the notes to the basic financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 42, GASB Statement No. 46, and GASB Statement No. 47 did not have an effect on the fund balances and net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

| <u>Nonmajor Governmental Funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| SchoolNet Professional Development | \$ 13 |
| Ohio Reads | 14 |
| IDEA Part B Grants | 14,229 |
| Title I Disadvantaged Children | 6,746 |
| IDEA Preschool-Handicapped | 42 |

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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 result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of 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.

Interim monies to 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) of this section 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$33,036. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$200,000 of the District's bank balance of \$562,999 was covered by the Federal Deposit Insurance Corporation, while \$362,999 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.

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

| <u>Investment</u> | <u>Fair Market Value</u> | <u>Investment Maturities</u> | | | | |
|----------------------------|--------------------------|------------------------------|-----------------------|------------------------|------------------------|----------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>More than 24 months</u> |
| FHLB | \$ 6,747,745 | \$ 3,800,094 | \$ 1,950,932 | \$ 996,719 | \$ - | \$ - |
| FHLMC | 2,904,726 | 740,775 | 1,204,200 | - | 959,751 | - |
| FMAC | 257,828 | - | - | - | - | 257,828 |
| FNMA | 1,530,089 | 707,020 | 724,350 | 98,719 | - | - |
| U.S. Treasury Money Market | 5,449,967 | 5,449,967 | - | - | - | - |
| STAR Ohio | 638,757 | 638,757 | - | - | - | - |
| Total | \$ 17,529,112 | \$ 11,336,613 | \$ 3,879,482 | \$ 1,095,438 | \$ 959,751 | \$ 257,828 |

The weighted average maturity of investments is 0.48 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 District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 by the District at June 30, 2006:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|----------------------------|----------------------|-------------------|
| FHLB | \$ 6,747,745 | 38.50% |
| FHLMC | 2,904,726 | 16.57% |
| FMAC | 257,828 | 1.47% |
| FNMA | 1,530,089 | 8.73% |
| U.S. Treasury Money Market | 5,449,967 | 31.09% |
| STAR Ohio | <u>638,757</u> | <u>3.64%</u> |
| Total | <u>\$ 17,529,112</u> | <u>100.00%</u> |

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

| | |
|---|----------------------|
| <u>Cash and Investments per Note Disclosure</u> | |
| Carrying amount of deposits | \$ 33,036 |
| Investments | <u>17,529,112</u> |
| Total | <u>\$ 17,562,148</u> |
| <u>Cash and Investments per Statement of Net Assets</u> | |
| Governmental activities | \$ 17,523,564 |
| Agency funds | <u>38,584</u> |
| Total | <u>\$ 17,562,148</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advance at June 30, 2006 was \$10,083,000 in the general fund and \$1,813,000 in the debt service fund. The amount that was available as advance at June 30, 2005 was \$7,440,000 in the general fund and \$1,325,000 in the debt service fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

| | 2005 Second Half Collections | | 2006 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Real estate property | \$ 939,546,410 | 95.74 | \$ 1,285,223,850 | 96.99 |
| Public utility personal property | 11,841,365 | 1.21 | 11,237,290 | 0.85 |
| Tangible personal property | <u>29,930,460</u> | <u>3.05</u> | <u>28,587,880</u> | <u>2.16</u> |
| Total assessed valuation | <u>\$ 981,318,235</u> | <u>100.00</u> | <u>\$ 1,325,049,020</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation: | | | | |
| General operations | | \$45.62 | | \$42.92 |
| Bond retirement | | 3.62 | | 3.60 |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), 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:

| | |
|-------------------|----------------------|
| Taxes | \$ 29,444,316 |
| Accounts | 280,850 |
| Intergovernmental | 11,587 |
| Accrued interest | <u>140,420</u> |
| Total | <u>\$ 29,877,173</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 7 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into lease agreements for the acquisition of school buses, computers and laptops, and fitness equipment.

These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and an other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the capital lease obligation in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 7 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

Capital assets acquired by lease have been capitalized on the statement of net assets in the amount of \$1,735,478, which is equal to the present value of the future minimum lease payments as of the date of inception. A corresponding liability was recorded on the statement of net assets. Principal payments in the 2006 fiscal year totaled \$280,000. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2006.

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2007 | \$ 47,884 |
| Total minimum lease payments | 47,884 |
| Less: amount representing interest | <u>(884)</u> |
| Total | <u>\$ 47,000</u> |

NOTE 8 - LEASE-PURCHASE AGREEMENT

On December 16, 2004, the District entered into a \$267,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance the acquisition of four school buses. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2006, the District made principal payments of \$50,000 on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. Capital assets consisting of vehicles have been capitalized in the amount of \$267,000.

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, 2006.

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2007 | \$ 58,892 |
| 2008 | 58,122 |
| 2009 | 58,183 |
| 2010 | <u>58,094</u> |
| Total minimum lease payments | 233,291 |
| Less: amount representing interest | <u>(16,291)</u> |
| Total | <u>\$ 217,000</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

| <u>Governmental Activities:</u> | <u>Balance</u> | | | <u>Balance</u> |
|--|----------------------|-----------------------|-------------------|----------------------|
| | <u>06/30/05</u> | <u>Additions</u> | <u>Deductions</u> | <u>06/30/06</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 | 2,821,895 | - | - | 2,821,895 |
| Buildings and improvements | 57,173,740 | - | - | 57,173,740 |
| Equipment and furniture | 6,382,284 | 305,112 | - | 6,687,396 |
| Vehicles | 1,892,553 | 157,456 | - | 2,050,009 |
| <i>Total capital assets, being depreciated</i> | <u>68,270,472</u> | <u>462,568</u> | <u>-</u> | <u>68,733,040</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (578,597) | (140,418) | - | (719,015) |
| Buildings and improvements | (10,447,416) | (1,337,836) | - | (11,785,252) |
| Equipment and furniture | (3,372,522) | (651,367) | - | (4,023,889) |
| Vehicles | (1,358,401) | (122,002) | - | (1,480,403) |
| <i>Total accumulated depreciation</i> | <u>(15,756,936)</u> | <u>(2,251,623)</u> | <u>-</u> | <u>(18,008,559)</u> |
| Total capital assets, net | <u>\$ 53,015,059</u> | <u>\$ (1,789,055)</u> | <u>\$ -</u> | <u>\$ 51,226,004</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 1,378,863 |
| Special | 59,737 |
| Vocational | 11,899 |
| <u>Support Services:</u> | |
| Pupil | 31,474 |
| Instructional staff | 122,879 |
| Administration | 36,061 |
| Fiscal | 1,247 |
| Operations and maintenance | 18,307 |
| Pupil transportation | 314,542 |
| Other non-instructional services | 26,476 |
| Extracurricular activities | 96,500 |
| Food service operations | <u>153,638</u> |
| Total depreciation expense | <u>\$ 2,251,623</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

| <u>Governmental Activities:</u> | <u>Balance at</u> <u>06/30/05</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at</u> <u>06/30/06</u> | <u>Amounts</u> <u>Due in</u> <u>One Year</u> |
|--|--------------------------------------|----------------------|------------------------|--------------------------------------|--|
| <u>General Obligation Bonds:</u> | | | | | |
| Current interest bonds-series 2001 | \$ 46,150,000 | \$ - | \$ (14,380,000) | \$ 31,770,000 | \$ 1,255,000 |
| Current interest bonds-series 2006 | - | 12,020,000 | (135,000) | 11,885,000 | 120,000 |
| Capital appreciation bonds-series 2006 | - | 1,200,000 | - | 1,200,000 | - |
| Accreted interest-series 2006 | - | 79,293 | - | 79,293 | - |
| Total general obligation bonds | <u>46,150,000</u> | <u>13,299,293</u> | <u>(14,515,000)</u> | <u>44,934,293</u> | <u>1,375,000</u> |
| <u>Other Long-Term Obligations:</u> | | | | | |
| Capital lease obligation | 327,000 | - | (280,000) | 47,000 | 47,000 |
| Lease purchase agreement | 267,000 | - | (50,000) | 217,000 | 52,000 |
| Compensated absences | <u>1,366,622</u> | <u>271,983</u> | <u>(167,744)</u> | <u>1,470,861</u> | <u>299,978</u> |
| Total other long-term obligations | <u>1,960,622</u> | <u>271,983</u> | <u>(497,744)</u> | <u>1,734,861</u> | <u>398,978</u> |
| Total governmental activities | <u>\$ 48,110,622</u> | <u>\$ 13,571,276</u> | <u>\$ (15,012,744)</u> | 46,669,154 | <u>\$ 1,773,978</u> |
| Add: Unamortized premium on bonds | | | | 1,288,584 | |
| Less: Deferred loss on advance refunding | | | | <u>(1,130,966)</u> | |
| Total on statement of net assets | | | | <u>\$ 46,826,772</u> | |

The capital lease obligation and lease purchase agreement are paid out of the general fund. Compensated absences will be paid out of the fund from which the employee is paid.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

During fiscal 2006, the District advance refunded a portion of the general obligation bonds - series 2001. The bonds which have been advance refunded were originally scheduled to mature on and from December 1, 2014 through and including December 1, 2018.

- C. On July 19, 2005, the District issued general obligation bonds in order to advance refund a portion of the general obligation bonds - series 2001. 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.

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, 2006 is \$1,200,000. Total accreted interest of \$79,293 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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.

This advance refunding was undertaken in order to reduce total debt service payments over the next 14 years by \$691,579, and resulted in an economic gain of \$546,491.

- D.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

| <u>Year Ended</u> | <u>Current Interest Bonds - Series 2001</u> | | |
|-------------------|---|----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 | \$ 1,255,000 | \$ 2,241,713 | \$ 3,496,713 |
| 2008 | 1,350,000 | 2,188,769 | 3,538,769 |
| 2009 | 1,455,000 | 2,124,550 | 3,579,550 |
| 2010 | 1,575,000 | 2,048,800 | 3,623,800 |
| 2011 | 1,700,000 | 1,966,925 | 3,666,925 |
| 2012 - 2016 | 5,905,000 | 5,368,969 | 11,273,969 |
| 2017 - 2021 | 6,710,000 | 1,523,000 | 8,233,000 |
| 2022 - 2024 | 11,820,000 | 911,250 | 12,731,250 |
| Total | <u>\$ 31,770,000</u> | <u>\$ 18,373,976</u> | <u>\$ 50,143,976</u> |

| <u>Year Ended</u> | <u>Current Interest Bonds - Series 2006</u> | | | <u>Capital Appreciation Bonds - Series 2006</u> | | |
|-------------------|---|---------------------|----------------------|---|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 | \$ 120,000 | \$ 537,525 | \$ 657,525 | \$ - | \$ - | \$ - |
| 2008 | 120,000 | 633,925 | 753,925 | - | - | - |
| 2009 | 125,000 | 530,325 | 655,325 | - | - | - |
| 2010 | 130,000 | 531,575 | 661,575 | - | - | - |
| 2011 | 130,000 | 522,675 | 652,675 | - | - | - |
| 2012 - 2016 | 2,845,000 | 2,461,789 | 5,306,789 | 1,200,000 | 1,380,000 | 2,580,000 |
| 2017 - 2019 | 8,415,000 | 839,775 | 9,254,775 | - | - | - |
| Total | <u>\$ 11,885,000</u> | <u>\$ 6,057,589</u> | <u>\$ 17,942,589</u> | <u>\$ 1,200,000</u> | <u>\$ 1,380,000</u> | <u>\$ 2,580,000</u> |

E. Legal Debt Margins

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, 2006 are a legal voted debt margin of \$79,022,870 (including available funds of \$4,623,458) and a legal unvoted debt margin of \$1,325,049.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - RISK MANAGEMENT

A. Comprehensive and Employee Health Benefits

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

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

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

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

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

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 2005.

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

B. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions to SERS for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$404,381, \$315,011, and \$293,431, respectively; 45.90% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$218,761 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds on the governmental funds balance sheet, and on the statement of net assets.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - PENSION PLANS - (Continued)

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, 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 recommendation 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 the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,724,850, \$1,671,362, and \$1,578,626, respectively; 82.47% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$302,313 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds on the governmental funds balance sheet, and on the statement of net assets. Contributions to the DC and Combined Plans for fiscal 2006 were \$29,591 made by the District and \$67,942 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$132,681 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$187,853 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 14 - 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 | \$ 1,709,475 |
| Net adjustment for revenue accruals | 3,228,410 |
| Net adjustment for expenditure accrals | (681,558) |
| Net adjustment for other financing sources/uses | (1,741) |
| Adjustment for encumbrances | 180,906 |
| GAAP basis | \$ 4,435,492 |

NOTE 15 - 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.

NOTE 16 - STATUTORY RESERVES

The Districts 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 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 year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by state statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 16 - STATUTORY RESERVES - (Continued)

| | <u>Instructional Materials</u> | <u>Capital Maintenance</u> |
|---|------------------------------------|--------------------------------|
| Set-aside balance as of June 30, 2005 | \$ (935,640) | \$ - |
| Current year set-aside requirement | 327,740 | 327,740 |
| Current year qualifying expenditures | <u>(423,495)</u> | <u>(463,200)</u> |
| Total | <u>\$ (1,031,395)</u> | <u>\$ (135,460)</u> |
| Set-aside balance carried forward to FY2007 | <u>\$ (1,031,395)</u> | <u>\$ -</u> |

The District had qualifying expenditures during the year for instructional materials and capital maintenance that reduced the set-aside amounts below zero. This excess amount for the instructional materials set-aside may be used to reduce the set-aside requirement of future years, and accordingly has been presented as being carried forward to the subsequent fiscal year. The excess amount for the capital maintenance may not be used to reduce the set-aside requirement of future years.

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

| Federal Grantor / Pass Through Grantor / Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Expenditures |
|---|-------------------------------|---------------------------|-----------|--------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Nutrition Cluster: | | | | |
| National School Lunch Program | LL-P4 2006 | 10.555 | \$35,456 | \$35,456 |
| Total U.S. Department of Agriculture | | | 35,456 | 35,456 |
| <u>U.S. Department of Education</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Title I Grants to Local Educational Agencies | C1-S1 2006 | 84.010 | 69,740 | 65,357 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States (IDEA Part B) | 6B-SF-05 | 84.027 | 15,293 | 43,388 |
| Special Education - Grants to States (IDEA Part B) | 6B-SF-06 | 84.027 | 623,749 | 584,474 |
| Special Education - Preschool Grants | PG-S1-06 | 84.173 | 6,990 | 6,990 |
| | | | 646,032 | 634,852 |
| Safe and Drug-Free Schools and Communities | DR-S1-06 | 84.186 | 7,728 | 7,876 |
| Innovative Educational Program Strategies | C2-S1-05 | 84.298 | 0 | 1,914 |
| Innovative Educational Program Strategies | C2-S1-06 | 84.298 | 6,918 | 9,662 |
| | | | 6,918 | 11,576 |
| Title II-D Technology | TJ-S1-06 | 84.318 | 1,384 | 1,070 |
| Title III | T3-S2-06 | 84.365 | 470 | 2,778 |
| Improving Teacher Quality | TR-S1 2005 | 84.367 | 2,072 | 0 |
| Improving Teacher Quality | TR-S1 2006 | 84.367 | 33,701 | 49,022 |
| | | | 35,773 | 49,022 |
| Total U.S. Department of Education | | | 768,045 | 772,531 |
| Total Federal Financial Assistance | | | \$803,501 | \$807,987 |

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2006, the District received \$150,486 and used \$150,486 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2006 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

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

**Report on Internal Control over Financial Reporting
and Compliance and Other Matters Required by
Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Hill Exempted Village School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2007. As described in Note 3, for the year ended June 30, 2006, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*," GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*", and GASB Statement No. 47, "*Accounting for Termination Benefits*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that we did not deem a reportable condition, that we have reported to the management of the District in a separate letter dated February 13, 2007.

Board of Education
Indian Hill Exempted Village School District
Report on Internal Control over Financial Reporting
and Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We did note certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 13, 2007.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

February 13, 2007

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

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

Compliance

We have audited the compliance of Indian Hill Exempted Village School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

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

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

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

February 13, 2007

INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

A. SUMMARY OF AUDITOR'S RESULTS

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

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



Mary Taylor, CPA
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
APRIL 19, 2007**