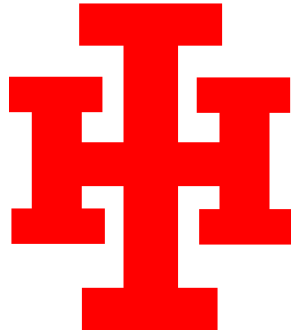


INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT

Hamilton County, Ohio

2020 (FY2019)

Annual Financial Information Statement



This Annual Financial Information Statement pertains to the operations of Indian Hill Exempted Village School District (CUSIP-6 base: 454272) for the fiscal year ended June 30, 2019.

This Annual Financial Information Statement is intended to satisfy the District's Continuing Disclosure obligations for providing annual financial information and operating data in compliance with Securities and Exchange Commission Rule 15c2-12.

Questions regarding information contained in this Annual Financial Information Statement should be directed to: Mick Davis, Treasurer, Indian Hill Exempted Village School District, 6855 Drake Road, Cincinnati, Ohio 45243.

This Annual Financial Information Statement is dated March 31, 2020.

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REGARDING THIS ANNUAL FINANCIAL INFORMATION STATEMENT

This Annual Financial Information Statement does not constitute an offering of any security of the Board of Education of the School District of Indian Hill Exempted Village (the "School District" or "District"), County of Hamilton, Ohio.

The information herein is subject to change without notice. The delivery of this Annual Financial Information Statement shall not create any implication that there has been no change in the affairs of the School District since the date hereof.

While the School District has reviewed this Annual Financial Information Statement for accuracy, no other federal, state, municipal, or other governmental entity, agency, or instrumentality (including, but not limited to, the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB")) has passed, or been asked to pass, upon the accuracy or adequacy of this Annual Financial Information Statement and the information contained herein.

This Annual Financial Information Statement, which includes the cover page and all applicable appendices, has been prepared by the School District, pursuant to Continuing Disclosure Certificates entered into by the School District in compliance with SEC Rule 15c-2-12 (the "Rule") for outstanding obligations of the School District. Certain information contained herein is not required to be supplied under the Rule, and the School District is under no obligation to continue to provide this additional information in the future.

This Annual Financial Information Statement is not sufficient to base an investment decision on but should be read in conjunction with the original offering document and all subsequent updates.

All financial and other information presented in this Annual Financial Information Statement has been provided by the School District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the School District. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Annual Financial Information Statement involve matters of opinion, projections or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information.

References herein to provisions of Ohio law, whether codified in the Ohio Revised Code (the "Revised Code") or uncodified, or to the provisions of the Ohio Constitution or the School District's resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Annual Financial Information Statement, "School District" or "District" means the Indian Hill Exempted Village School District, and "State" or "Ohio" means the State of Ohio.

Additional information concerning this Annual Financial Information Statement, as well as copies of the basic documentation relating to any outstanding obligations of the School District, is available from Mick Davis, Treasurer, Board of Education, Indian Hill Exempted Village School District, 6855 Drake Road, Cincinnati, Ohio 45243, (513) 272-4513.

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GENERAL INFORMATION AND OPERATING DATA CONCERNING THE BOARD OF EDUCATION AND THE SCHOOL DISTRICT

There follows in this Annual Financial Information Statement a brief description of the District, together with certain information concerning its governmental organization, its indebtedness, current major revenue sources and general and specific funds.

About the School District

The Indian Hill Exempted Village School District encompasses approximately 23 square miles. The U.S. Census Bureau estimated that the 2018 population of the District was 13,021, which includes the Village of Indian Hill. The District consists of two elementary schools (grades K-2 and 3-5), one middle school (grades 6-8), and one senior high school (grades 9-12).

The 2019-2020 school year enrollment is approximately 2,129 students. The District currently employs 196 certified personnel and approximately 100 support personnel. The District is providing transportation for 1,385 public school students and 37 private school students.

The District's senior administrative staff consists of a Superintendent, an Assistant Superintendent for Teaching and Learning, Assistant Superintendent of Administrative Operations, a Director of Pupil Services, four Principals, three Assistant Principals, an Athletic Director, a Facilities Director, a Director of Technology, a Director of Communications, a Director of Transportation, and a Treasurer.

The District is accredited by the North Central Association of Colleges and Schools. In addition to academic and related services, students have the opportunity to participate in a wide range of extra-curricular activities for both boys and girls. These include football, basketball, cheerleading, cross country, field hockey, baseball, golf, softball, track, swimming, soccer, lacrosse, volleyball and wrestling. Students may also participate in such activities as orchestra, band, choir, drama, district musical, student council, school newspaper, National Honor Society, foreign language clubs, yearbook and pep band.

The major sources of revenue to the District are local property taxes on real and personal property, along with State aid. Other funds, such as lunch programs and special classes are funded for their expenditures by designated State and Federal grants.

Organization of the Board of Education

The Board of Education (the "Board") of the School District is the governing body of the School District and is a body politic and corporate. The Board can be sued and can sue, can enter into contracts and can be contracted with, can acquire, hold, possess and dispose of real and personal property, and can take and hold in trust, for the use and benefit of the District, any grant or devise of land and any donation or bequest of money or other personal property.

Subject to the provisions of the State Constitution, the District operates pursuant to the Revised Code. Under such law, there is no authority for the District to have a charter or adopt local laws.

School District Officials

The Board is made up of five elected-at-large members with overlapping four-year terms. The following table provides information about the current composition of the Board as well as the Superintendent and the Treasurer.

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> | <u>Beginning of Tenure</u> |
|----------------------|----------------------|---------------------|----------------------------|
| Nancy Aichholz | Board President | 12/31/2023 | 01/01/2016 |
| Kim Martin Lewis | Board Vice President | 12/31/2021 | 01/01/2010 |
| Elizabeth Johnston | Board Vice President | 12/31/2021 | 01/01/2006 |
| Dr. Edmond A. Hooker | Board Member | 12/31/2021 | 01/01/2014 |
| Niki Singh | Board Member | 12/31/2023 | 01/01/2020 |
| Ken Koennecke | Superintendent | Contract | 07/01/2019 |
| Mick Davis | Treasurer | Contract | 08/01/2016 |

Budget Procedure

The fiscal year for all Ohio school districts runs from July 1 to June 30. Each spring, the District's administration reviews the enrollment projections along with the objectives of the upcoming fiscal year. A tentative budget is prepared for review by the administration and the Board, and the budget is then approved at a public meeting of the Board.

Employees

The Board currently employs approximately 296 (including non-teaching personnel) employees. In fiscal year 2018-2019, the Board paid \$20,847,735 in salaries and wages to these employees (including substitutes) and \$7,394,950 for fringe benefits, which includes state employer retirement contributions, workers' compensation insurance coverage, unemployment compensation, severance payments, and medical, dental and life insurance premiums. Of the Board's current employees, 196 are certified by the Ohio Department of Education serving as classroom teachers, education specialists and administrators. The starting salary for a teacher with a Bachelor's degree for the period beginning September 1, 2019 was \$44,697. The maximum teacher salary in 2019-2020 for a Master's degree, plus 30 semester hours, is \$106,482 with 27 years' experience. The number of persons employed by the District, the collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreements follow:

| <u>No. of Employees</u> <u>2019-2020</u> | <u>Union</u> | <u>Contract Expiration Date</u> |
|---|---|---------------------------------|
| 171 | Indian Hill Educators Professional Organization (IHEPO) | June 30, 2021 |

Enrollment

Actual enrollment in the School District for the school year 2019-2020 and projected enrollment for the year 2020-2021 are shown in the table below:

| <u>School Year</u> | Grades | | | | <u>Total Enrollment</u> |
|--------------------|---------------|------------|------------|-------------|-------------------------|
| | <u>K-2</u> | <u>3-5</u> | <u>6-8</u> | <u>9-12</u> | |
| 2019-2020 | 452 | 515 | 534 | 622 | 2,123 |
| 2020-2021 * | 460 | 495 | 509 | 651 | 2,115 |

* Projected.

Source: Records of the Treasurer of the Board of Education

The following is a description of the existing school facilities, including name of school, grades housed and student capacity:

Basic Data Concerning the School Facilities for 2018-2019

| <u>Name of Building</u> | <u>Grades Housed</u> | <u>Enrollment as of November 1, 2019</u> | <u>Capacity</u> |
|-------------------------------|----------------------|--|-----------------|
| Indian Hill Primary School | K-2 | 452 | 500 |
| Indian Hill Elementary School | 3-5 | 515 | 600 |
| Indian Hill Middle School | 6-8 | 534 | 700 |
| Indian Hill High School | 9-12 | <u>622</u> | <u>850</u> |
| TOTAL | | <u>2,123</u> | <u>2,650</u> |

FINANCIAL MATTERS

Accounting - Basis and Policies

The District maintains its records in accordance with the Uniform System of Accounting prescribed by the Department of Audit for the State of Ohio. Examination of the records is conducted on an annual basis by the Department. The most recent examination of the District's records by the Department covers the period ending June 30, 2019.

All Board of Education expenditures are made in accordance with the annual appropriation resolution adopted at the beginning of the fiscal year at a total not to exceed the Amended Certificate of Estimated Resources certified by the County Budget Commission.

All receipts are classified in accordance with the guidelines prescribed by the office of the Auditor of the State.

Other special funds for grants and restricted monies and their related budgets are maintained in accordance with the agreements or specific purposes designated for these funds. These funds are also maintained in accordance with guidelines of the Auditor of State and are included in the two-year audits conducted by the Department of Audit.

The Board of Education's fiscal year corresponds with the July 1 to June 30 school year. The collection of taxes is made on a calendar year basis.

The responsibilities for the major financial functions of the Board of Education are divided between the Board of Education and the Treasurer. The Treasurer is the fiscal officer of the Board of Education, its chief accounting officer, and serves the Board of Education as financial advisor. The Treasurer keeps the accounts of the Board of Education and is responsible for accurate statements of all moneys received and expended and of all taxes. At the end of each fiscal year, the Treasurer must examine the accounts of all offices and departments of the Board of Education. The Treasurer is not to allow the amount set aside for any appropriation to be overdrawn, or the amount appropriated for any one item of expense to be drawn upon for any other purpose, or allow a voucher to be paid unless sufficient funds are in the treasury of the Board of Education to the credit of the fund upon which such voucher is drawn.

Financial Reports and Audits

The School District maintains its accounts, appropriations and other fiscal records in accordance with the procedures established and prescribed by the Ohio Auditor of State (the State Auditor). The State Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

School District receipts and expenditures are compiled on a cash basis, pursuant to accounting procedures prescribed by the State Auditor that are generally applicable to all Ohio school districts. The records of these cash receipts and expenditures are converted annually for reporting purposes to a modified accrual basis of accounting for governmental funds and an accrual basis for proprietary funds. These accounting procedures conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB),

including, beginning in Fiscal Year 2015, GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*”, GASB Statement No. 69 “*Government Combinations and Disposals of Government Operations*”, and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*”. Those principles, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service (bond retirement) fund and for a full accrual basis of accounting for all other funds, and for the preparation for each fund of balance sheets, statements of revenues and expenditures and statements showing changes in fund balances.

Annual financial reports are prepared by the School District and are filed as required by law with the State Auditor after the close of each Fiscal Year. Audits are made by the State Auditor, or by private auditing firms (CPAs) at the direction of that officer, pursuant to Ohio law and under certain federal program requirements. See the various appendices contained herein for applicable financial summaries (including cash-basis receipts and expenditures) and annual financial reports and statements

Investment Policy

The School District is limited by the Uniform Depository Act and the Revised Code Chapter 135 on its investments. The School District makes all investments in accordance with the law. The School District values safety, liquidity and return in that order. Interest earned by the School District in fiscal year ending June 30, 2019 totaled \$456,517.91.

Financial Condition of the School District / General Fund and Financial Outlook

The Board of Education maintained an unencumbered balance in the general operating fund over the past two fiscal years as shown below:

| Fiscal Year <u>Ending</u> | Beginning Cash <u>Balance</u> | <u>Receipts</u> | <u>Expenditures</u> | Ending <u>Balance</u> |
|------------------------------|----------------------------------|-----------------|---------------------|--------------------------|
| 06/30/2018 | \$19,603,978 | \$37,766,035 | \$35,499,557 | \$21,870,456 |
| 06/30/2019 | \$21,870,456 | \$32,975,316 | \$36,274,030 | \$18,571,742 |

The General Fund is the School District’s main operating fund, from which most expenditures are paid and into which most revenues are deposited. The General Fund receives moneys from many sources, but primarily from the ad valorem property taxes levied by the Board and education aid distributions from the State under the State School Funding System. In Fiscal Years 2015 through 2019, ad valorem property taxes and related make-up and property tax relief payments from the State provided between 76.78% and 82.17% of the School District’s general operating fund revenues and State education aid distributions provided between 4.58% and 5.10%.

Pursuant to State law, the School District has prepared a Five-Year Financial Forecast that is adopted by the Board and filed with the Ohio Department of Education. The Forecast reflects three years of general operations, General Fund, historical revenues and expenditures, as well as a

forecast of the present Fiscal Year and four additional Fiscal Years. Notes to the Financial Forecast accompany the projections. The Forecast must be adopted by the Board by November 30 of each fiscal year and then updated between April 1 and May 31. The School District’s most recent Forecast was submitted to the State in November 2019.

The Board’s current five-year projections indicate that the School District may not require additional operating income at any time through Fiscal Year 2024. Those projections are based on assumptions that include stable property values, consistent enrollment, and maintaining the current staffing levels.

Other than its authority to levy ad valorem property taxes, the only tax the Board may under existing State law impose, and only if approved by the School District’s electors, is an income tax on (i) the school district income of individuals and estates or (ii) wages, salaries, tips and other employee compensation. The Board has not ever acted to put an income tax issue before the voters.

Assessed Valuation of the School District

The assessed valuation of property within the School District subject to levy of ad valorem taxes for the most recent tax collection years are indicated in the following table:

| Assessed Valuation | | | | |
|---------------------------|----------------|--------------------------|---------------------------------|---|
| Collection Year | Real(a) | Public Utility(b) | Total Assessed Valuation | % Increase/Decrease Over Previous Year |
| 2015(c) | 1,182,153,470 | 12,408,780 | 1,194,562,250 | |
| 2016 | 1,191,597,700 | 12,640,540 | 1,204,238,240 | 0.81% |
| 2017 | 1,198,509,650 | 11,054,100 | 1,209,563,750 | 0.44% |
| 2018(d) | 1,232,795,130 | 12,079,330 | 1,244,874,460 | 2.92% |
| 2019 | 1,241,426,980 | 12,874,240 | 1,254,301,220 | 0.76% |
| 2020 | 1,248,278,170 | 15,049,600 | 1,263,327,770 | 0.72% |

- (a) Other than real property of railroads. The real property of public utilities, other than railroads, is assessed by the County Auditor. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.
- (b) Tangible personal property of all public utilities and real property of railroads; see footnote (a).
- (c) Reflects triennial adjustment.
- (d) Reflects sexennial reappraisal.

Source: Hamilton County Auditor.

Taxes collected on “Real” in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. “Public Utility” (real and tangible personal) taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

Pursuant to statutory requirements for sexennial reappraisals, in 2017 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. Those

adjustments were first reflected in the duplicate for tax year 2017 (collection year 2018) and in the ad valorem taxes distributed to the School District in 2018. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values. The next triennial adjustment is anticipated for tax year 2020 (collection year 2021).

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its assessed value.

The taxation of all tangible personal property used in general businesses (excluding certain public utility tangible personal property) was phased out over tax years 2006 to 2009. Previously, machinery and equipment and furniture and fixtures were generally taxed at 25% of true value, and inventory was taxed at 23%.

The taxation of all tangible personal property used by telephone, telegraph or interexchange telecommunications companies (“telecommunications property”) was phased out over tax years 2007 to 2011. Previously, telecommunications property was taxed at 25% or 46% of true value (depending on the type of equipment and when it was placed into service).

Public utility tangible personal property (with some exceptions) is currently assessed (depending on the type of property) from 25% to 88% of true value. Effective for collection year 2002, the assessed valuation of electric utility production equipment was reduced from 100% and natural gas utility property from 88% of true value, both to 25% of true value. While eligible school districts have received, and are to continue to receive, reimbursement payments from the State to offset portions of such reductions, the School District does not now qualify.

As a result of the phase-out of taxation of tangible personal property used in general business (excluding certain public utility property) and tangible personal property used by telephone, telegraph or interexchange telecommunications companies, and the reduction of the percentages of true value of electric utility production equipment and natural gas utility property assessed for taxation as described above, eligible school districts have received reimbursement payments from the State to account for the loss of property tax revenue.

As indicated herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property, and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class. These tax credits apply only to certain voted levies on real property, and they do not apply to unvoted levies or to voted levies to provide a specified dollar amount or to pay debt charges on general obligation debt.

Largest Taxpayers

The largest taxpayers within the School District for tax year 2018 (collection year 2019) are shown in the following table:

| <u>Taxpayer</u> | <u>Total Assessed Valuation (Real and Personal Property)</u> | <u>% of Total Assessed Valuation</u> |
|---|--|--|
| DUKE ENERGY OHIO INC C/O TAX DEPARTMENT | 10,262,690 | 0.81% |
| GA HC REIT II SEASONS CCRC LLC | 9,243,250 | 0.73% |
| GALBRAITH NORTH REALTY COMPANY LLC | 8,181,360 | 0.65% |
| BRE DDR CROCODILE SYCAMORE PLAZA LLC | 8,096,880 | 0.64% |
| KENWOOD PAVILION 14 A LLC@3 | 7,160,110 | 0.57% |
| KENWOOD MALL LLC | 5,792,960 | 0.46% |
| KENWOOD LAND ACQUISITION LLC | 5,391,080 | 0.43% |
| DUKE ENERGY OHIO INC | 4,770,970 | 0.38% |
| NISBET PROPERTY HOLDINGS | 4,405,610 | 0.35% |
| CAMARGO CLUB THE | 3,967,120 | 0.31% |
| Total | 67,272,030 | 5.32% |

Source: Hamilton County Auditor

Ad Valorem Property Taxes – Collections

The following are the amounts billed and collected for School District ad valorem real and public utility property taxes for the tax collection years shown.

| Collection Year | Current Billed | Current Collected | Current % Collected | Delinquent | |
|----------------------------|---------------------------|------------------------------|--------------------------------|-------------------|--------------------|
| | | | | Current | Accumulated |
| 2014 | \$31,747,074 | \$31,124,664 | 98.04% | \$762,081 | \$680,056 |
| 2015 | 30,539,713 ^(a) | 29,931,010 | 98.01 | 530,740 | 728,887 |
| 2016 | 31,432,285 | 30,787,321 | 97.95 | 621,581 | 722,116 |
| 2017 | 31,593,919 | 30,889,312 | 97.77 | 664,305 | 810,877 |
| 2018 | 32,087,705 | 31,628,369 | 98.57 | 778,534 | 712,298 |
| 2019 | 30,015,490 | 29,479,149 | 98.21 | 644,766 | 677,350 |

(a) The District refrained from collecting 1.25 mills of its statutory share of inside millage in tax year 2014 (collected in 2015).

Source: Hamilton County Auditor.

Included in the “Current Billed”, “Current Collected” and “Current % Collected” figures above are payments made from State revenue sources under two Statewide real property tax relief programs – the Homestead Exemption and the Property Tax Rollback Exemption. Homestead Exemptions have been available for (i) persons 65 years of age or older, (ii) persons who are totally

or permanently disabled and (iii) surviving spouses of persons who were totally or permanently disabled or 65 years of age or older, and had applied and qualified for a reduction of property taxes in the year of death, so long as the surviving spouses were not younger than 59 or older than 65 years of age on the date of their deceased spouses' deaths. The Homestead Exemption exempts \$25,000 of the homestead's market value from taxation, thereby reducing the property owner's ad valorem property tax liability. The Property Tax Rollback Exemption applies to all non-business properties, and reduces each property owner's ad valorem property tax liability by either 12.5% (for owner-occupied non-business properties) or 10% (for non-owner non-business occupied properties). Payments to taxing subdivisions have been made in amounts approximately equal to the Homestead and Property Tax Rollback Exemptions granted. This State assistance reflected in the School District's tax collections for 2019 was \$132,528.25 for the elderly/disabled homestead payment and \$3,135,793.13 for the rollback payment.

The State Budget Act makes the Homestead Exemption subject to means testing beginning January 1, 2014, and eliminates the Property Tax Rollback Exemption and related reimbursements with respect to new or replacement tax levies approved at elections after its effective date and for other taxes (or increases in taxes) not levied for tax year 2013. See **Tax Rates**.

Real property taxes are payable in two installments, the first usually by February and the second in August.

Ad Valorem Property Taxes – Delinquencies

The following is a general description of delinquency procedures under Ohio law, the implementation of which may vary in practice among the counties. Under the Revised Code, taxes become a lien of the State on the first day of January, annually, and continue until the taxes, including any penalties, interest or other charges, are paid. Real estate taxes and special assessments that are not paid in the year they are due are to be certified by the county auditor's office as delinquent. Any amount of a previous tax bill not paid before new tax bills are mailed for the next half of the year is considered delinquent and becomes subject to a 10% penalty. A list of delinquent properties is compiled by the county auditor (the "delinquent land duplicate"). If delinquent taxes (and special assessments) are not paid within 60 days after a copy of the county auditor's delinquent land duplicate is delivered to the county treasurer, then the county treasurer is to enforce the lien of the State that attached on January 1 of the year the taxes first became payable. Under State law (Section 323.25 of the Revised Code), the county treasurer is to enforce the lien "in the same way mortgage liens are enforced," that is, by an action in the court of common pleas for foreclosure and sale of the property in satisfaction of the delinquency. If the county treasurer fails to bring an action to enforce the lien, then the State Tax Commissioner is to do so. In addition, one year after certification of a delinquent land list, the county prosecuting attorney is authorized to institute foreclosure proceedings in the name of the county treasurer to foreclose the lien.

The property owner may arrange a payment plan with the county treasurer providing for payments over a period not to exceed five years. If payments are made when due under the plan, no further interest will be assessed against delinquent balances covered by the plan; a default in any payment under the plan or in the payment of current taxes will invalidate the taxpayer's

participation in the plan. If a payment plan is not adhered to or if none is arranged, foreclosure proceedings may be initiated by the county. Mass foreclosure proceedings and sales are permitted after three years' delinquency. Proceeds from delinquent property foreclosure sales become part of and are distributed as current collections to the taxing subdivisions.

In recent years, the State legislature has enacted several programs with respect to forestalling the foreclosure process or the forfeiture of property due to tax delinquency that may have the effect of delaying or eliminating the collection of certain property taxes. Notwithstanding the delay or loss of the tax revenues from those properties, an issuer of general obligation notes or bonds, such as the School District, remains obligated to pay the debt charges on those notes or bonds from the available revenues.

There were 5,919 nonexempt parcels in the School District for collection year 2019 and the number of delinquent (by any positive amount unpaid) parcels was 191. The total number of foreclosure proceedings was not available from the County Auditor's office.

These five taxpayers accounted for more than 28% of the delinquencies identified above for collection year 2019:

| Taxpayer | Amount Due^(a) |
|---------------------|---------------------------------|
| Individual Taxpayer | \$52,068 |
| Individual Taxpayer | 21,657 |
| Individual Taxpayer | 20,805 |
| Individual Taxpayer | 18,361 |
| Individual Taxpayer | 18,052 |

(a) Includes both taxes due and penalties assessed that are owed to all overlapping taxing subdivisions, of which approximately 65% is due the School District.

Unvoted and Voted Taxes for Local Purposes / Tax Rates

To meet current expenses of subdivisions, the laws of Ohio authorize two types of ad valorem tax levies - unvoted and voted.

Unvoted ad valorem tax levies are permitted by the State Constitution and the Revised Code so long as all such unvoted taxes do not exceed one per cent (ten mills) of any property's assessed valuation. This limitation is known as the "ten-mill limitation" and such unvoted taxes are referred to as the "inside millage".

Ohio law permits voted ad valorem tax levies outside the one percent limitation when approved by a majority of the electors of a taxing District voting on the proposition. A voted tax levy for a board of education is generally initiated by a resolution of the Board of Education to place such a levy on the ballot at a general, primary or special election.

All references to tax rates under this caption are in terms of stated rates in mills per \$1.00 of assessed valuation.

The following chart lists the effective rates of taxation for the General Fund and Bond Retirement Fund of the Board of Education for collection year 2020 (tax year 2019):

Rates of Taxation
2020 Collection Year (2019 Tax Year)

| | <u>Mills – General Fund/Cur. Exp.</u> | | | Permanent Improve. <u>Inside</u> | Bond Retirement <u>Fund</u> | <u>Total</u> |
|------------------------|---------------------------------------|----------------|--------------|--|-----------------------------------|--------------|
| | <u>Inside</u> | <u>Outside</u> | <u>Total</u> | | | |
| Effective Rate Res/Ag | 6.41 | 16.182255 | 22.592255 | 0.00 | 1.38 | 23.972255 |
| Effective Rate Com/Ind | 6.41 | 14.329590 | 20.739590 | 0.00 | 1.38 | 22.119590 |

Source: Hamilton County Auditor

The following are the rates at which the School District and overlapping taxing subdivisions have in recent years levied ad valorem property taxes in that area of the School District located in the City.

TAX TABLE A
Overlapping Tax Rates

| Collection Year | School District | City | Career Center | County and Others(a) | Total |
|----------------------------|----------------------------|-------------|--------------------------|---------------------------------|--------------|
| 2016 | 46.06 | 0.96 | 2.70 | 20.88 | 70.60 |
| 2017 | 46.16 | 0.96 | 2.70 | 20.88 | 70.70 |
| 2018 | 46.16 | 0.96 | 2.70 | 21.19 | 71.01 |
| 2019 | 44.37 | 0.96 | 2.70 | 24.17 | 72.20 |
| 2020 | 44.30 | 0.96 | 2.70 | 24.17 | 72.13 |

(a) Includes, in addition to County, Hamilton County Park District and Cincinnati-Hamilton County Public Library. Source: County Auditor.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both:

- the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year; and
- amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

The tax credit provisions do not apply to amounts realized from taxes levied at whatever rate is required to produce a specified amount or an amount to pay debt charges on voted general obligations, or from taxes levied inside the ten-mill limitation or from school district levies for

operating purposes once the “twenty-mill floor” has been reached. To calculate the limited amount to be realized, a reduction factor is applied to the stated rates of the levies subject to these tax credits. A resulting “effective tax rate” reflects the aggregate of those reductions, and is the rate based on which real property taxes are in fact collected. As an example, the total overlapping tax rate for the 2020 tax collection year of 72.13 mills within the portion of the School District within the City was reduced by reduction factors of 0.376329 for residential/agricultural property and 0.349674 for all other real property, which resulted in “effective rates” of 44.985426 mills for residential and agricultural property and 46.908047 mills for all other real property. See **Tax Table A**.

Residential and agricultural real property tax amounts paid by taxpayers generally are further reduced by an additional 10% (12.5% in the case of owner-occupied residential property); however, the State Budget Act eliminates such reductions for additional and replacement levies that approved at elections after its effective date and for other taxes (or increases in taxes) not levied for tax year 2013. See **Collections** for a discussion of reimbursements by the State to taxing subdivisions for these reductions and related changes made by the State Budget Act.

The following are the rates at which the School District levied property taxes for the general categories of purposes for the years shown, both inside and outside the ten-mill limitation.

TAX TABLE B
School District Tax Rates

Unvoted (inside the 10-Mill Limitation)

| Collection Year | Operating | Permanent Improvements | Total |
|------------------------|------------------|-------------------------------|--------------|
| 2016 | 6.41 | 0.00 | 6.41 |
| 2017 | 6.41 | 0.00 | 6.41 |
| 2018 | 6.41 | 0.00 | 6.41 |
| 2019 | 6.41 | 0.00 | 6.41 |
| 2020 | 6.41 | 0.00 | 6.41 |

Voted

| Collection Year | Operating | Debt Retirement | Total |
|------------------------|------------------|------------------------|--------------|
| 2016 | 36.51 | 3.14 | 39.65 |
| 2017 | 36.51 | 3.24 | 39.75 |
| 2018 | 36.51 | 3.24 | 39.75 |
| 2019 | 36.51 | 1.45 | 37.96 |
| 2020 | 36.51 | 1.38 | 37.89 |

The voted levies for “Debt Retirement” continue for the life of the bonds authorized by the voters, in annual amounts sufficient to pay debt charges on those bonds as they come due.

The total School District operating millage of 42.92 mills for collection year 2020 includes voted fixed rate current expense levies aggregating 36.51 mills, all approved by the School District electorate for a continuing period of time and which do not require a renewal vote. The balance of 6.41 mills constituted a portion of the School District’s mandated share of the unvoted 10 mills.

See the discussion of the ten-mill limitation, and the priority of claim on that millage for debt charges on unvoted general obligation debt, under **Indirect Debt and Unvoted Property Tax Limitations**.

The following table presents certain information concerning the School District’s voted property tax levies for current expenses for collection year 2020, each of which is levied for a continuing period of time.

| Voter Authorized | Millage Rate Levied for Collection Year 2020 | | Last Collection Year |
|---------------------|--|-----------|----------------------------|
| | Res./Agr. | All Other | |
| 2.47 | 1.060220 | 0.913682 | Continuing |
| 3.80 | 1.631108 | 1.405665 | Continuing |
| 4.09 | 1.755587 | 1.512940 | Continuing |
| 5.75 | 2.468124 | 2.126994 | Continuing |
| 11.77 | 5.052143 | 4.353864 | Continuing |
| 8.63 | 4.215073 | 4.016445 | Continuing |

Each operating levy approved for a continuing period is subject to reduction through a statutory procedure requiring both (i) a petition signed by 10% of the electors of the School District voting in the last general election (to be filed at least 60 days before the general election in any year) stating the amount of the proposed reduction and (ii) the approval of the reduction by a majority vote at the general election, with the reduction to commence at the expiration of the then-current year. No such petition has ever been filed with respect to a School District levy.

For collection year 2020, the School District had an effective tax rate on residential and agricultural property of 22.592255 mills (including 16.182255 for voted levies and the 6.41-mill mandated share of the unvoted 10 mills) and an effective tax rate for all other real property of 20.739590 (including 14.329590 for voted levies and the 6.41-mill mandated share of the unvoted 10 mills) for current operating expenses. State law establishes a “20-mill floor” for a school district’s levy for current operating expenses (excluding for this purpose emergency tax levies and other “fixed dollar” levies for operating purposes). At that floor, the effect of the reduction mechanism discussed above is negated, and the School District receives the proceeds of 20 mills of property tax levied against all property subject to ad valorem property taxes without reduction. The effect of reaching that floor is that the School District receives increases or decreases in property tax receipts for operating purposes more nearly commensurate with increases or decreases in its assessed valuation.

Voting Records

The District has not placed any bond issues, permanent improvement or operating levies on the ballot for the last ten years.

TAX TABLE C ELECTION HISTORY Bond Issues and Tax Levies Voted Upon

| Election Date | Purpose | Mills Appearing on Ballot | Levy Type | Result |
|----------------------|------------------------|--|------------------|---------------|
| 11/03/92 | Current Expenses | 5.10 | New Money | Defeated |
| 11/03/92 | School Improvements | 0.50 | Bond Issue | Defeated |
| 05/04/93 | Emergency requirements | 2.13 | New Money | Approved |
| 11/07/00 | School Improvements | 4.18 | Bond Issue | Approved |

Litigation

The District is not a party to any current litigation, nor is there any outstanding liability from any prior litigation.

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Sources of Income

The following chart shows the sources and uses of income for the General Fund of the Board of Education for the fiscal year 2018-2019, which ended on June 30, 2019:

Sources and Uses of Income - General Fund

| | |
|-------------------------------|----------------|
| BEGINNING BALANCE | \$21,870,456 |
| INCOME | |
| Existing Property Taxes | \$25,318,386 |
| Investments | 435,905 |
| Other Local | 5,323,729 |
| Borrowing | |
| State Foundation | 1,470,919 |
| Other State | 107,391 |
| Miscellaneous | <u>318,986</u> |
| TOTAL INCOME | \$32,975,316 |
| TOTAL RESOURCES | \$54,845,772 |
| EXPENDITURES | |
| Salaries & Wages | \$20,847,735 |
| Fringe Benefits | 7,394,950 |
| Purchased Services | 4,781,195 |
| Materials/Supplies | 1,323,216 |
| Capital Outlay | 1,424,435 |
| Other Non-Operating | 420,090 |
| Other Expenses | <u>82,409</u> |
| TOTAL EXPENSE | \$36,274,030 |
| ENDING BALANCE | \$18,571,742 |
| Cash Balance as % of Revenues | 56.3% |

Source: Records of the Treasurer of the District

State Funding for Public Schools / State School Funding System

Am. Sub. HB 166 of the 133rd Ohio General Assembly established revised procedures for calculating the state foundation formula funding of public elementary and secondary education in fiscal years 2020 and 2021. The School Finance Payment Report (SFPR) for each District provides the reader with the various funding components of the foundation formula. The foundation formula in FY20 and FY21 is comprised of two new funding streams plus a number of other funding elements and transfers and adjustments that have traditionally been included on the SFPR. Regarding Foundation Formula Funding [Section 265.220], in FY20 and FY21, each school district will receive Foundation Formula Funding equal to the sum of the state payment the district received in FY19 under:

- a. Section 3317.022 of the Revised Code and section 265.220 of Am. Sub. H.B. 49 of the 132nd General Assembly and,
- b. Section 3317.0212 and division (D)(2) of section 3314.091 of the Revised Code.

The combination of these FY19 funding elements add up to the total FY19 calculated funding that appears on line 'N' of the District's FY19 SFPR as shown below. For more information on line-by-line guidance and specific formulas/calculations regarding the SFPR, please visit <http://education.ohio.gov/getattachment/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Traditional-School-Districts/FY20-SFPR-Funding-Form-Line-by-Line.pdf.aspx?lang=en-US>

OHIO DEPARTMENT OF EDUCATION
OFFICE OF BUDGET AND SCHOOL FUNDING
FY19 SUMMARY SCHOOL FUNDING REPORT FOR CITY, EXEMPTED VILLAGE AND LOCAL SCHOOL DISTRICTS
(FY2019 Final #2 Payment, Data as of 12/13/2019)

03/24/2020

IRN: 045435 District: INDIAN HILL EX VIL S.D.

County: HAMILTON

| | CALCULATED FUNDING | STATE FUNDING |
|--|-----------------------|------------------|
| ----- | | |
| FOUNDATION FUNDING COMPONENTS: | | |
| A Opportunity Grant: | 615,051.36 | 615,051.36 |
| B Targeted Assistance: | 0.00 | 0.00 |
| C K-3 Literacy Funding: | 81,555.45 | 81,555.45 |
| D Economic Disadvantaged Funding: | 263.69 | 263.69 |
| E Limited English Proficiency Funding: | 2,024.28 | 2,024.28 |
| F Gifted Education Funding: | 102,622.87 | 102,622.87 |
| G Transportation Funding (Generally Exempted from Cap): | 330,039.78 | 330,039.78 |
| H Special Education Additional Funding (Generally Exempted from Cap): | 64,053.08 | 64,053.08 |
| I Capacity Aid: | 0.00 | 0.00 |
| J Graduation Bonus (Exempted from Cap): | 3,727.43 | 3,727.43 |
| K Third Grade Reading Bonus (Exempted from Cap): | 2,453.95 | 2,453.95 |
| L Transitional Aid Guarantee: | 95,659.78 | 95,659.78 |
| M Career Tech Education Funding (Exempted from Overall Guarantee & Cap): | 67.66 | 67.66 |
| ----- | | |
| N Total Formula Funding: | | 1,297,519.33 |
| ----- | | |

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The following table presents certain information concerning State funding and Unrestricted and Restricted Grants-in-Aid for the School District under the various funding models in place for the Fiscal Years indicated, as taken from the District's Five Year Forecast as required by Section 5705.391 of the Revised Code (the most recent of which was last updated in November 2019; see Appendix D).

| Fiscal Year | Unrestricted and Restricted Grants-in-Aid (Total) | Such State Aid as a % of General Operating Fund Total Revenues and Other Financing Sources(a) | Such State Aid as a % of General Operating Fund Total Expenditures and Other Financing Uses(a) |
|--------------------|--|--|---|
| 2016 | \$1,521,567 | 4.58% | 3.89% |
| 2017 | 1,563,274 | 4.71 | 4.52 |
| 2018 | 1,678,856 | 4.45 | 4.73 |
| 2019 | 1,578,310 | 4.79 | 4.35 |
| 2020 (b) | 1,680,568 | 4.56 | 4.02 |

(a) See **Appendix D** for details regarding revenues and expenditures.

(b) Forecasted.

There can be no assurance concerning future funding levels or systems or formulae for allocation of State Education Aid. Funding has also been subject to adjustment during a biennium. As indicated above, the General Assembly has the power to modify the system of State school funding and has often exercised that authority. The School District cannot predict whether, when or in what form any future system of State school funding will be enacted into law.

Overlapping Governmental Entities / Net Overlapping Debt

The major political subdivisions or other governmental entities that overlap all or a portion of the territory of the School District are listed in the table below. Each of the subdivisions below operates independently, with its own separate budget, taxing power and sources of revenue. Only the County, the Cities, the Villages, the Townships and the Career Center may, as may the School District, levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills) described herein.

**Net Overlapping Debt
For Indian Hill Exempted Village School District**

| <u>Subdivision</u> | <u>Type of Subdivision</u> | <u>Overlap Percentage</u> | <u>Net Debt of Subdivision</u> |
|-----------------------------------|----------------------------|---------------------------|--------------------------------|
| Indian Hill EVSD | Exempted S/D | 100.00% | \$13,580,000 |
| Hamilton County | County | 6.45 | 8,183,115 |
| Indian Hill City | City | 99.43 | 0 |
| Madeira City | City | 2.91 | 0 |
| Milford City | City | 0.33 | 9,983 |
| Terrace Park Village | Village | 0.02 | 245 |
| Columbia Township | Township | 0.12 | 0 |
| Sycamore Township | Township | 43.31 | 6,687,064 |
| Symmes Township | Township | 8.38 | 612,159 |
| Great Oaks Career Ctr. | Jt. Voc. S/D | 6.19 | 192,200 |
| Cin. & Ham. County Port Auth. | Misc. Dist. | 6.45 | 0 |
| Cin. & Ham. County Public Library | Misc. Dist. | 6.45 | 0 |
| Ham. County Park District | Misc. Dist. | 6.45 | 0 |
| Little Miami Jt. Fire & Rescue | Misc. Dist. | 0.08 | 5,036 |

| <u>NET DEBT</u> | | | <u>NET OVERALL DEBT</u> | | |
|-----------------|-------------------|-----------------|-------------------------|-------------------|-----------------|
| <u>Total</u> | <u>Per Capita</u> | <u>% of A/V</u> | <u>Total</u> | <u>Per Capita</u> | <u>% of A/V</u> |
| \$13,580,000 | \$1,043 | 1.08% | \$29,269,801 | \$2,248 | 2.33% |

Source: Ohio Municipal Advisory Council. Data is as of July 1, 2019. Excludes Special Assessment and Self-Supporting Debt.

Statutory Direct Debt Limitations

The Revised Code provides two debt limitations on general obligation debt that are directly based on tax (assessed) valuation, applicable to all school districts, including the School District.

- The net principal amount of both voted and unvoted debt of the School District, excluding “exempt debt” (discussed below), may not exceed 9% of the total tax (assessed) valuation of all property in the School District as listed and assessed for taxation, except in the case of a “special needs” school district. All of the School District’s current general obligation debt is subject to this limitation.
- The net principal amount of unvoted debt of the School District, excluding exempt debt, may not exceed 1% of that valuation, as discussed below.

These two limitations, which are referred to as the “direct debt limitations,” may be amended from time to time by the General Assembly.

The School District’s ability to incur unvoted debt (whether or not exempt from the direct debt limitations) is also restricted by the indirect debt limitation discussed under **Indirect Debt and Unvoted Property Tax Limitations**.

The tax valuation used for the calculation of the School District’s direct debt limitations in tax year 2019 (collection year 2020) is \$1,263,327,770.

The Revised Code provides as a general limitation that the net principal amount of general obligation debt of a school district incurred without a vote of the electors, in general, may not exceed 1% of the School District’s total tax valuation. A further general limitation, from which certain energy conservation and exempt debt (discussed below) may be excluded, is 1/10th of 1% of its total tax valuation; the School District at present has no outstanding unvoted debt subject to this limitation. School Districts may also issue unvoted general obligation debt and other debt under certain circumstances for energy conservation programs, which general obligation debt may not exceed 9/10ths of 1% of the School District’s tax valuation; the School District at present has no debt subject to that limitation. Debt charges on any unvoted debt, unless paid from other sources, must be paid from the millage levied within the ten-mill limitation, resulting in a reduction in money available for operating expenses.

The Bonds will not be subject to the unvoted debt limitation, but will be subject to the 9% direct debt limitation.

Certain debt that the School District may issue is exempt from the 9%, 1/10th of 1%, 9/10ths of 1% and 1% direct debt limitations (exempt debt). Exempt debt includes, without limitation, current tax revenue anticipation notes, tax anticipation notes, securities issued to pay final judgments or court-approved settlements, securities issued to acquire school buses and other equipment used in transporting pupils, securities evidencing State solvency assistance loans, certain securities issued to acquire computers and related hardware and certain unvoted securities issued a school district’s share of the basic project cost necessary to participate in a cooperative project with the Ohio Facilities Construction Commission (the Commission) under Chapter 3318 of the Revised Code that are secured by a pledge of proceeds of a school district income tax or a voted property tax levy. In addition, under Section 133.06(I) of the Revised Code, to the extent that, when issued, it would cause the total net indebtedness of a school district to exceed the 9% direct debt limitation, debt issued solely to raise (i) a school district’s share of the basic project cost necessary to participate in a cooperative project with the Commission under Chapter 3318 of the Revised Code, (ii) the cost of items designated by that Commission as required locally funded initiatives in connection with such a project, (iii) the cost of other related locally funded initiatives in an amount that does not exceed 50% of the district’s portion of the basic project cost, and (iv) the cost of acquiring sites for such a project, is exempt from the 9% direct debt limitation. The School District has no such exempt debt outstanding.

BANs issued in anticipation of exempt bonds also are exempt debt.

The School District may incur debt for operating purposes, such as current tax revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount in a school district's bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Without consideration of amounts in the Bond Retirement Fund, and based on outstanding debt and the Bonds and the current tax (assessed) valuation, the School District's voted and unvoted nonexempt debt capacities are detailed in Debt Table A and Appendix C – Indebtedness Statement.

**Debt Table A - Principal Amounts of Outstanding Debt;
Leeway for Additional Debt Within
Direct Debt Limitations (as of 6/30/2019)
(further elaborated in Appendix C – Indebtedness Statement)**

| | |
|---|---------------|
| Total Debt | \$ 13,580,000 |
| Exempt Debt | 0 |
| Total non-exempt debt | 13,580,000 |
| 1/10th of 1% of tax valuation (unvoted debt limitation) | 1,263,328 |
| Total limited tax non-exempt bonds outstanding | 0 |
| Debt leeway within the 1/10th of 1% unvoted debt limitation but subject to indirect debt limitation | 1,263,328 |
| 9% of tax valuation (voted and unvoted debt limitation) | 113,699,499 |
| Total non-exempt bonds outstanding | 13,580,000 |
| Balance in Bond Retirement Fund (@ 6/30/2019) | 1,868,708 |
| Net Non-exempt Debt | 11,711,292 |
| Debt leeway within 9% direct debt limitation | 101,988,207 |

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**Debt Table B - Various School District and Overlapping GO Debt Allocations (Principal Amounts)
(Including Special Assessment and Self-Supporting Debt) As of 7/1/2019**

| | Amount | Per Capita(a) | % of School District's Current Assessed Valuation(b) |
|--|---------------|----------------------|---|
| School District Nonexempt GO Debt | \$13,580,000 | \$1,042.93 | 1.08% |
| Total School District GO Debt (exempt and nonexempt) | 13,580,000 | 1,042.93 | 1.08 |
| Highest Total Overlapping GO Debt(c) | 31,658,329 | 2,431.33 | 2.52 |

(a) Based on 2018 (estimated) Census population of 13,021.

(b) The District's 2019 collection year assessed valuation is \$1,254,301,220.

(c) Includes, in addition to "Total School District GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions (as of July 1, 2019) resulting in the calculation of highest total overlapping debt based on percent of tax (assessed) valuation of territory of the subdivisions located within the School District (% figures are resulting percent of total debt of subdivisions allocated to the School District in this manner), as follows:

\$ 8,329,496 County (6.45%);

\$ 6,687,064 Sycamore Township (43.31%); and

\$ 192,200 Great Oaks Career Center (6.19%).

Allocation of GO debt of the remaining overlapping debt issuing subdivisions is as follows:

\$ 2,242,147 The City (99.43%);

\$ 9,983 City of Milford (0.33%);

\$ 245 Village of Terrace Park (0.02%);

\$ 5,036 Little Miami Jt. Fire and Rescue District (0.08%); and

\$ 612,159 Symmes Township (8.38%).

Sources of tax (assessed) valuation and confirmation of GO debt figures for overlapping subdivisions: OMAC and the County Auditor.

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Debt Table C – Projected Debt Charges Requirements on School District GO Debt

| Year | Debt Charges - 2016 Bonds | Total, All Paid from Unlimited Ad Valorem Taxes |
|-------------|--------------------------------------|--|
| 2020 | 1,685,137.50 | \$ 1,685,137.50 |
| 2021 | 1,734,337.50 | \$ 1,734,337.50 |
| 2022 | 1,739,537.50 | \$ 1,739,537.50 |
| 2023 | 1,743,087.50 | \$ 1,743,087.50 |
| 2024 | 1,810,337.50 | \$ 1,810,337.50 |
| 2025 | 1,815,587.50 | \$ 1,815,587.50 |
| 2026 | 1,818,587.50 | \$ 1,818,587.50 |
| 2027 | 1,885,462.50 | \$ 1,885,462.50 |

Indirect Debt and Unvoted Property Tax Limitations

Voted general obligation debt may be issued by the School District if authorized by vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt charges on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds.

General obligation debt also may be issued by the School District without a vote of the electors, but subject to the 1% and 1/10th and 9/10ths of 1% limitations discussed above unless it is exempt debt. This unvoted debt may not be issued unless the ad valorem property tax for the payment of debt charges on those bonds (or the bonds in anticipation of which BANs are issued), and all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the combination of overlapping taxing subdivisions including the School District resulting in the highest tax required for such debt charges, in any year is 10 mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the “ten-mill limitation,” is imposed by a combination of provisions of the Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions without a vote of the electors. The 10 mills are allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the School District. For collection year 2020, less than the entire 10 mills was levied by the combination of the School District and taxing subdivisions overlapping portions of the School District. The allocation of the 10 mills (sometimes referred to as the “inside millage”) was as follows in the various portions of the School District:

| School District | County | Great Parks of the County | Columbia Township | Sycamore Township | Symmes Township | Terrace Park Village | The City | City of Madeira(a) | City of Milford | Total |
|-----------------|--------|---------------------------|-------------------|-------------------|-----------------|----------------------|----------|--------------------|-----------------|-------|
| 6.41 | 2.26 | 0.03 | 0.40 | | | | | | | 9.10 |
| 6.41 | 2.26 | 0.03 | | 0.50 | | | | | | 9.20 |
| 6.41 | 2.26 | 0.03 | | | 1.00 | | | | | 9.70 |
| 6.41 | 2.26 | 0.03 | | | | 1.30 | | | | 10.00 |
| 6.41 | 2.26 | 0.03 | | | | | 0.96 | | | 9.66 |
| 6.41 | 2.26 | 0.03 | | | | | | 1.28 | | 9.98 |
| 6.41 | 2.26 | 0.03 | | | | | | | 1.30 | 10.00 |

(a) The City of Madeira has levied Charter millage in lieu of inside millage for at least the last five years.

Because the School District is restricted in the amount of unvoted debt it can issue, the major impact of the indirect debt limitation generally results from the ability of overlapping political subdivisions to issue unvoted general obligation debt in amounts that require unvoted taxes for the payment of debt charges on that debt to be levied at a rate in excess of the rates within the ten-mill limitation allocated by statutory formula to the subdivisions. The result of a subdivision having to draw on millage to pay debt charges in an amount exceeding its allocated rate within the ten-mill limitation would be to reduce the millage within the ten-mill limitation available to the overlapping subdivisions, including the inside millage then levied by the Board for operating purposes. To the best knowledge of current School District officials, no such reduction in the School District's statutory share of inside millage has occurred since the ten-mill limitation has been in effect.

Present Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt charges on its unvoted general obligation debt, unless provision has been made for that payment from other sources, with the balance usable for other purposes. To the extent this inside millage is required for debt charges of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt charges on a subdivision's unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess reduces the amount of inside millage available to overlapping subdivisions. A law applicable to all Ohio cities and villages, however, requires that any lawfully available receipts from a municipal income tax or from voted property tax levies be allocated to pay debt charges on the municipality's unvoted debt before the formula allocations of the inside millage to overlapping subdivisions can be invaded for that purpose.

In the case of BANs issued in anticipation of unvoted general obligation bonds, the highest estimate of annual debt charges for the anticipated bonds is used to calculate the millage required.

Per OMAC, The total millage theoretically required by the County and the Little Miami Joint Fire & Rescue District (the combination of overlapping taxing subdivisions that have the highest millage requirement within the ten-mill limitation for debt charges on unvoted debt) for debt charges on their outstanding unvoted general obligation debt was estimated to be 4.17666 mills for 2020, the year of the highest potential debt charges. There thus remained 5.82334 mills within the ten-mill limitation that had yet to be allocated to debt charges and that were available

to the School District and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

Outstanding Debt

The Debt Tables herein provide information concerning the School District’s outstanding debt represented by bonds and notes, School District and overlapping subdivisions general obligation debt allocations and debt charges on the School District’s outstanding general obligation debt outstanding. The following table shows the principal amount of School District’s general obligation debt outstanding as of June 30 in the years shown.

| Year | Total, all Voted |
|-------------|-------------------------|
| 2015 | \$24,865,000 |
| 2016 | 23,550,000 |
| 2017 | 19,640,000 |
| 2018 | 16,735,000 |
| 2019 | 13,580,000 |

The District had the following outstanding bonds, notes and other debt obligations as of June 30, 2018.

Debt Table D - General Obligation Bonds

| <u>Date of Original Issue</u> | <u>Purpose</u> | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Original Amount Issued</u> | <u>Amount Outstanding</u> |
|-------------------------------|---------------------|----------------------|-----------------------|-------------------------------|---------------------------|
| 09/14/16 | School Improv. Ref. | 1.50%- 5.00% | 12/01/27 | 13,940,000 | <u>13,580,000</u> |
| | | | | | \$13,580,000 |

The School District is not, and to the knowledge of current School District officials has not ever been, in default in the payment of debt charges on any of the bonds or notes on which the School District is obligor.

Security for General Obligation Debt; Bonds and BANs

The following describes the security for the School District’s general obligation debt, such as the voted Bonds.

Voted Bonds. The basic security for voted School District general obligation bonds is the authorization by the electors for the Board to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes, without limitation as to rate or amount, on all real and tangible personal property subject to ad valorem taxation by the Board. These taxes are outside of the ten-mill limitation and are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on the voted bonds (subject to the

provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion).

As of June 30, 2019, the School District has \$13,580,000 of voted general obligation bonds outstanding (including the Bonds). All references to the School District's outstanding debt in this Official Statement exclude accretions to the value of any capital appreciation bonds.

Unvoted Bonds. The basic security for the limited amount of School District unvoted general obligation bonds (see **Statutory Direct Debt Limitations**) is the Board's ability to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the Board, within the ten-mill limitation described below. These taxes are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on unvoted general obligation bonds. The law provides that the levy necessary for debt charges has priority over any levy for other purposes within that tax limitation; that priority may be subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

The School District has no unvoted general obligation bonds outstanding.

BANs. While BANs are outstanding, Ohio law requires the levy of ad valorem property taxes in an amount not less than what would have been levied if bonds had been issued without the prior issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months from the date of issuance of the original notes. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated. Portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

The School District has no outstanding BANs.

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Bond Retirement Fund

The School District's Bond Retirement Fund is the fund from which it pays debt charges on its general obligation debt and into which money required to be applied to those payments is deposited. The following table is an unaudited summary of Bond Retirement Fund cash basis receipts, disbursements, and year-end balances for Fiscal Year 2018 and other recent Fiscal Years.

| Fiscal Year | Receipts | Disbursements | June 30 Balance |
|--------------------|-----------------|----------------------|------------------------|
| 2015 | \$3,691,240 | \$3,694,618 | \$2,125,116 |
| 2016 | 3,789,662 | 3,799,346 | 2,115,432 |
| 2017 | 3,800,393 | 3,565,838 | 2,349,987 |
| 2018 | 4,427,282 | 3,644,624 | 3,132,645 |
| 2019 | 2,457,576 | 3,721,513 | 1,868,708 |
| 2020(a) | 1,800,000 | 1,700,000 | 1,968,708 |

(a) Projected.

Long-Term Financial Obligations Other Than Bonds and Notes / Lease Obligations

In the summer of 2017, the School District entered into a capital lease agreement providing for the leasing and eventual acquisition of school buses. Payments under that agreement have been and are to be made through Fiscal Year 2022. The first of five payments occurred on August 25, 2017. As of June 30, 2019, the aggregate remaining payments amounted to \$297,897. Details on the lease agreement are below:

| <u>Date of Original Issue</u> | <u>Purpose</u> | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Original Amount Issued</u> | <u>Amount Outstanding as of June 30, 2019</u> |
|-------------------------------|----------------|----------------------|-----------------------|-------------------------------|---|
| 08/25/17 | School Buses | 2.85% | 08/25/21 | \$468,590 | \$281,638 |
| TOTAL | | | | \$468,590 | <u>\$281,638</u> |

The School District has no other long-term financial obligations, other than the bonds and lease purchase obligations described above, the retirement obligations and net pension liability described under **Pension Obligations / Retirement Expenses** and the compensated absences (for vacation and sick pay) obligations as detailed in the School District's audited Basic Financial Statements.

Future Financings

The Board of Education entered into a similar capital lease agreement in July 2019.

Pension Obligations / Retirement Expenses

The tables below show the employee and employer contributions to the retirement programs of certificated and classified employees of the District for the fiscal year 2018-2019.

Retirement Programs

State Teachers' Retirement - Certificated Employees

| <u>Member Contribution</u> | | | <u>Employer Contribution</u> | |
|----------------------------|----------------|------------------|------------------------------|------------------|
| <u>Year</u> | <u>Percent</u> | <u>\$ Amount</u> | <u>Percent</u> | <u>\$ Amount</u> |
| 2018-2019 | 14% | \$2,349,727* | 14% | \$2,349,727 |

School Employee Retirement - Classified Employees

| <u>Member Contribution</u> | | | <u>Employer Contribution</u> | |
|----------------------------|----------------|------------------|------------------------------|------------------|
| <u>Year</u> | <u>Percent</u> | <u>\$ Amount</u> | <u>Percent</u> | <u>\$ Amount</u> |
| 2018-2019 | 10% | \$487,768 | 14% | \$682,874 |

*This is the amount calculated to be paid to STRS by certificated employees based on the salaries of certificated employees. \$221,609 was "picked-up" by the Board

Source: Records of the Treasurer of the Board of Education and Records of State Teachers' Retirement System and School Employee Retirement System

Present and retired employees of the School District are covered under two statewide public employee retirement (including disability retirement) systems. The State Teachers Retirement System (STRS) covers all teachers, principals, supervisors and administrators who are required to hold a certificate issued by the State Department of Education. Other eligible employees are covered by the School Employees Retirement System (SERS).

STRS and SERS are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for employee members. On September 12, 2012, the General Assembly passed five separate pension reform bills intended to assist each of the five retirement systems in addressing its unfunded actuarial accrued liabilities. Those bills applicable to STRS and SERS became effective on January 7, 2013.

The law now applicable to STRS provides for (i) no change in the School District's contribution rate with respect to its employees' earnable salaries and (ii) an increase in the STRS employees' contribution rate from 10% to 14% in annual increments of 1% (the last of which took effect on July 1, 2016). Among other changes and with certain transition provisions for current employees, the minimum age and service requirements for eligibility for retirement and disability benefits have been increased, the calculation of an employee's final average salary on which pension benefits are based has been revised to include the five highest years (rather than the three highest years), STRS pension benefits are being calculated on a lower, fixed formula and provisions with respect to future annual cost-of-living adjustments have been changed to reduce those adjustments to two percent (from 3%). The STRS board has also been provided with authority to make future adjustments to the member contribution rate, retirement age and service requirements, and cost-of-living adjustments as the need or opportunity arises, and depending on

the funding progress. Under current law, STRS has a maximum 30-year period to amortize its unfunded accrued pension liability. For the most recent reporting period (through June 2017), STRS's actuarial consultant projected that the period required to fully amortize STRS actuarial unfunded accrued liability was 18.4 years.

The law now applicable to SERS provides for no change to the School District's or SERS employees' contribution rates, future cost-of-living adjustments or the calculation of an employee's final average salary on which pension benefits (the average of the three highest years). However, among other changes and with certain transition provisions for current employees, the minimum age and service requirements for eligibility for retirement and disability benefits was increased and provisions for disability benefits and service credit purchases were revised.

For further information on STRS and SERS and their pension plans, see the notes to the basic financial statements as applicable. Financial and other information for STRS and SERS can also be found on the respective web site for each retirement system including its Comprehensive Annual Financial Report.

In Fiscal Year 2018, employees covered by STRS are contributing at a statutory rate of 14% of earnable compensation. Employees covered by SERS have contributed and continue to contribute at a statutory rate of 10% of earnable compensation. As the employer, the School District's statutory contribution rate for all of those employees has been and continues to be 14% of the same base. These employee and employer contribution rates have been and continue to be the maximums permitted under current State law.

The School District currently pays the employee contributions of 14% and 10% for STRS and SERS, respectively, on behalf of its Superintendent and Treasurer and administrative employees. This payment is considered a fringe benefit and is added to final average salary calculations for purposes of determining retirement benefits for those individuals.

In Fiscal Year 2018, the School District's current employer contributions to STRS and SERS have been treated as current expenses and included in the School District's operating expenditures. These contributions are directly paid by the District. The SERS deductions were previously made on a calendar year basis, six months in arrears, but in 2010 were changed to a fiscal year basis. As a result, deductions from State funding that would have been collected six months in arrears became due as of June 30, 2010. School districts were given the option to pay this six-month arrearage over a six-year period, however, the District chose to make the payment in full at the time it was assessed.

Federal law requires School District employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, School District employees who are covered by a State retirement system are not currently covered under the federal Social Security Act. STRS and SERS are not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

CONCLUDING STATEMENT

This Annual Financial Information Statement has been duly authorized and prepared by, and executed and delivered for and on behalf of, the Board of Education by its President and Treasurer.

**BOARD OF EDUCATION OF THE INDIAN HILL
EXEMPTED VILLAGE SCHOOL DISTRICT**

By: /s/ Nancy Aichholz
President

By: /s/ Mick Davis
Treasurer

Dated: March 28, 2020

**REGARDING AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE
30, 2019**

The School District's audited financial statements for the fiscal year ended June 30, 2019 are found on the immediately following pages



OHIO AUDITOR OF STATE
KEITH FABER



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

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

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Indian Hill Exempted Village School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Indian Hill Exempted Village School District, Hamilton County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent 'K' and 'F'.

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2019 are as follows:

- In total, net position of governmental activities increased \$2,473,502, which represents a 15.69% increase from 2018's net position.
- General revenues accounted for \$36,552,529 in revenue or 91.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,187,294 or 8.02% of total revenues of \$39,739,823.
- The District had \$37,266,321 in expenses related to governmental activities; only \$3,187,294 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 \$36,552,529 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$35,733,300 in revenues and \$36,833,845 in expenditures. During fiscal 2019, the general fund's fund balance decreased \$1,100,545 from a balance of \$25,827,597 to \$24,727,052.
- The District has \$44,086,445 in capital assets at June 30, 2019. This amount is net of accumulated depreciation in the amount of \$41,668,338. Fiscal year 2019 depreciation expense was \$2,317,230. Total net investment in capital assets was \$29,065,674 at June 30, 2019.
- The District has \$13,580,000 and \$281,684 in general obligation bonds and lease-purchase obligations, respectively, outstanding at June 30, 2019. Of this total, \$1,311,272 is due within one year and \$12,550,412 is due in greater than one year.

Using These Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 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 13. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund. All other governmental funds are considered non-major.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, the balances in the agency fund are reported in a separate statement of fiduciary net position on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-67 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 70-85 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

| | Net Position | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2019 | Governmental Activities 2018 |
| <u>Assets</u> | | |
| Current and other assets | \$ 56,195,872 | \$ 55,812,341 |
| Capital assets, net | <u>44,086,445</u> | <u>45,445,234</u> |
| Total assets | <u>100,282,317</u> | <u>101,257,575</u> |
| <u>Deferred outflows of resources</u> | | |
| Unamortized deferred charges on debt refunding | 299,967 | 425,718 |
| Pension | 10,794,275 | 14,745,716 |
| OPEB | <u>420,518</u> | <u>421,872</u> |
| Total deferred outflows of resources | <u>11,514,760</u> | <u>15,593,306</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 4,300,442 | 3,751,626 |
| Long-term liabilities: | | |
| Due within one year | 1,521,822 | 3,459,143 |
| Due in more than one year: | | |
| Net pension liability | 38,465,364 | 43,173,893 |
| Net OPEB liability | 3,875,211 | 9,685,284 |
| Other amounts | <u>15,454,812</u> | <u>16,743,776</u> |
| Total liabilities | <u>63,617,651</u> | <u>76,813,722</u> |
| <u>Deferred inflows of resources</u> | | |
| Property taxes levied for the next fiscal year | 16,379,040 | 14,936,586 |
| Payments in lieu of taxes for the next fiscal year | 4,712,142 | 5,010,932 |
| Pension | 4,427,645 | 3,052,831 |
| OPEB | <u>4,419,902</u> | <u>1,269,615</u> |
| Total deferred inflows of resources | <u>29,938,729</u> | <u>24,269,964</u> |
| <u>Net Position</u> | | |
| Net Investment in capital assets | 29,065,674 | 27,322,426 |
| Restricted | 3,248,702 | 5,186,161 |
| Unrestricted (deficit) | <u>(14,073,679)</u> | <u>(16,741,392)</u> |
| Total net position | <u>\$ 18,240,697</u> | <u>\$ 15,767,195</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2019, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$18,240,697.

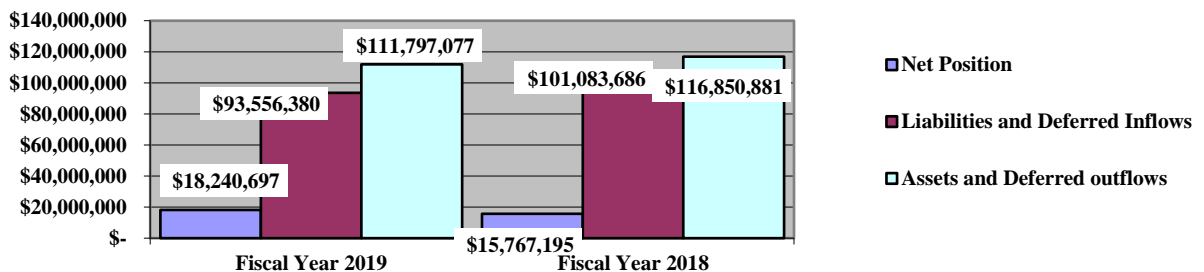
Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. This factor is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it’s the pension systems that collect, hold and distribute pensions to District employees, not the District.

At fiscal year-end, capital assets represented 43.96% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2019, was \$29,065,674. 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, \$3,248,702 represents resources that are subject to external restriction on how they may be used. Of this total, \$2,421,832 is restricted for debt service.

The graph below presents the District’s governmental activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018.

Governmental Activities



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below shows the change in net position for fiscal years 2019 and 2018.

| | Change in Net Position | |
|---|---|---|
| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,510,371 | \$ 1,377,343 |
| Operating grants and contributions | 1,676,923 | 1,650,962 |
| General revenues: | | |
| Property taxes | 25,806,416 | 29,240,084 |
| Payments in lieu of taxes | 4,815,530 | 4,715,154 |
| Grants and entitlements | 4,906,078 | 5,039,931 |
| Investment earnings | 450,357 | 141,301 |
| Increase (decrease) in fair value of investments | 398,257 | (95,296) |
| Miscellaneous | <u>175,891</u> | <u>319,683</u> |
| Total revenues | <u>39,739,823</u> | <u>42,389,162</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 14,746,470 | 6,529,600 |
| Special | 3,714,949 | 2,003,230 |
| Vocational | 15,977 | 10,971 |
| Other | 570,095 | 294,495 |
| Support services: | | |
| Pupil | 2,634,174 | 1,514,711 |
| Instructional staff | 1,828,703 | 1,429,607 |
| Board of education | 21,718 | 15,084 |
| Administration | 2,657,480 | 1,537,873 |
| Fiscal | 835,317 | 831,535 |
| Business | 77,977 | 17,880 |
| Operations and maintenance | 4,176,358 | 2,629,527 |
| Pupil transportation | 2,251,781 | 1,144,763 |
| Central | 173,077 | 34,980 |
| Operation of non-instructional services: | | |
| Food service operations | 787,796 | 812,937 |
| Other non-instructional services | 970,480 | 760,293 |
| Extracurricular activities | 1,282,667 | 865,152 |
| Interest and fiscal charges | <u>521,302</u> | <u>618,554</u> |
| Total expenses | <u>37,266,321</u> | <u>21,051,192</u> |
| Change in net position | 2,473,502 | 21,337,970 |
| Net position (deficit) at beginning of year | <u>15,767,195</u> | <u>(5,570,775)</u> |
| Net position at end of year | <u>\$ 18,240,697</u> | <u>\$ 15,767,195</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Governmental Activities

Net position of the District's governmental activities increased \$2,473,502. Total governmental expenses of \$37,266,321 were offset by program revenues of \$3,187,294 and general revenues of \$36,552,529. Program revenues supported 8.55% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and grants and entitlements. These revenue sources represent 89.40% of total governmental revenue. The most significant decrease was in the area of property taxes. Property taxes decreased \$3,433,668 primarily due to the timing of calendar year 2019 property tax payments. Certain District taxpayers paid their entire calendar year taxes later in the year than they have in prior years, but this should result in increased property tax revenue in fiscal year 2020. The increase in fair value of investments is due primarily to the District being required reporting of investments at fair value rather than cost. The fair value fluctuates throughout the year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Expenses of the governmental activities increased \$16,215,129 or 77.02%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$3,650,020 and (\$13,002,134) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$4,794,639) and (\$1,527,625) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$13,385,140. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

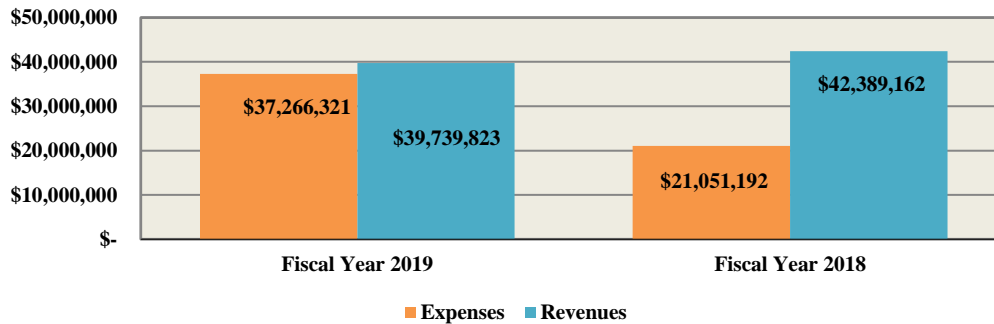
**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Pension expense, by function, for 2019 and 2018 follows:

| Program expenses: | 2019 Pension Expense | 2018 Pension Expense | Increase |
|--|----------------------------|-------------------------------|-----------------------------|
| Instruction: | | | |
| Regular | \$ 1,968,763 | \$ (6,932,146) | \$ 8,900,909 |
| Special | 379,639 | (1,357,872) | 1,737,511 |
| Other | 67,140 | (241,333) | 308,473 |
| Support services: | | | |
| Pupil | 269,041 | (1,029,119) | 1,298,160 |
| Instructional staff | 148,680 | (563,404) | 712,084 |
| Board of education | 1,697 | (4,382) | 6,079 |
| Administration | 273,451 | (959,578) | 1,233,029 |
| Fiscal | 36,544 | (133,410) | 169,954 |
| Operations and maintenance | 194,110 | (656,166) | 850,276 |
| Pupil transportation | 193,525 | (699,177) | 892,702 |
| Central | 13,132 | (40,594) | 53,726 |
| Operation of non-instructional services: | | | |
| Other non-instructional services | 5,341 | (17,190) | 22,531 |
| Extracurricular activities | 98,957 | (367,763) | 466,720 |
| Total | <u>\$ 3,650,020</u> | <u>\$ (13,002,134)</u> | <u>\$ 16,652,154</u> |

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2019 and 2018.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | <u>2019</u> | <u>2019</u> | <u>2018</u> | <u>2018</u> |
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | 14,746,470 | 14,298,238 | 6,529,600 | 6,355,835 |
| Special | 3,714,949 | 3,265,289 | 2,003,230 | 1,476,644 |
| Vocational | 15,977 | 15,915 | 10,971 | 10,955 |
| Other | 570,095 | 433,506 | 294,495 | 151,136 |
| Support services: | | | | |
| Pupil | 2,634,174 | 2,563,026 | 1,514,711 | 1,437,415 |
| Instructional staff | 1,828,703 | 1,773,535 | 1,429,607 | 1,374,986 |
| Board of education | 21,718 | 21,718 | 15,084 | 15,084 |
| Administration | 2,657,480 | 2,657,480 | 1,537,873 | 1,537,873 |
| Fiscal | 835,317 | 835,317 | 831,535 | 831,535 |
| Business | 77,977 | 77,977 | 17,880 | 17,880 |
| Operations and maintenance | 4,176,358 | 4,152,988 | 2,629,527 | 2,613,287 |
| Pupil transportation | 2,251,781 | 2,251,781 | 1,144,763 | 1,144,763 |
| Central | 173,077 | 173,077 | 34,980 | 34,980 |
| Operations of non-instructional services | | | | |
| Food service operations | 787,796 | 172,251 | 812,937 | 115,910 |
| Other non-instructional services | 970,480 | 190,478 | 760,293 | (55,167) |
| Extracurricular activities | 1,282,667 | 675,149 | 865,152 | 341,217 |
| Interest and fiscal charges | <u>521,302</u> | <u>521,302</u> | <u>618,554</u> | <u>618,554</u> |
| Total expenses | <u>\$ 37,266,321</u> | <u>\$ 34,079,027</u> | <u>\$ 21,051,192</u> | <u>\$ 18,022,887</u> |

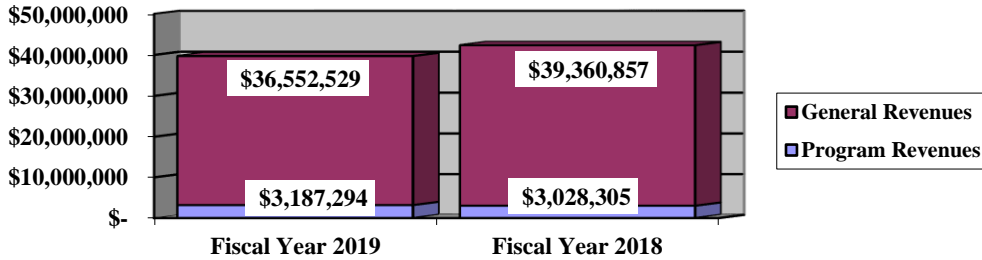
The dependence upon tax and other general revenues for governmental activities is apparent, 94.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.45%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The graph below presents the District's governmental activities revenue for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$27,878,753, which is less than last year's total of \$30,845,523. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

| | Fund Balance <u>June 30, 2019</u> | Fund Balance <u>June 30, 2018</u> | <u>Change</u> |
|--------------------|--------------------------------------|--------------------------------------|-----------------------|
| General | \$ 24,727,052 | \$ 25,827,597 | \$ (1,100,545) |
| Other Governmental | 3,151,701 | 5,017,926 | (1,866,225) |
| Total | <u>\$ 27,878,753</u> | <u>\$ 30,845,523</u> | <u>\$ (2,966,770)</u> |

General Fund

The District's general fund balance decreased \$1,100,545 from June 30, 2018. The table that follows assists in illustrating the financial activities of the general fund.

| | <u>2019</u> <u>Amount</u> | <u>2018</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|--|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 24,729,088 | \$ 25,454,624 | \$ (725,536) | (2.85) % |
| Payments in lieu of taxes | 4,815,530 | 4,715,154 | 100,376 | 2.13 % |
| Earnings on investments | 451,361 | 137,463 | 313,898 | 228.35 % |
| Increase (decrease) in fair value of investments | 398,257 | (95,296) | 493,553 | 517.92 % |
| Intergovernmental | 4,666,572 | 4,692,705 | (26,133) | (0.56) % |
| Other revenues | 672,492 | 552,906 | 119,586 | 21.63 % |
| Total | <u>\$ 35,733,300</u> | <u>\$ 35,457,556</u> | <u>\$ 275,744</u> | 0.78 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 20,248,414 | \$ 18,888,230 | \$ 1,360,184 | 7.20 % |
| Support services | 14,002,521 | 13,808,916 | 193,605 | 1.40 % |
| Operation of non-instructional services | 63,872 | 43,732 | 20,140 | 46.05 % |
| Extracurricular activities | 821,398 | 794,444 | 26,954 | 3.39 % |
| Facilities acquisition and construction | 1,598,341 | 2,045,603 | (447,262) | (21.86) % |
| Capital outlay | - | 468,590 | (468,590) | (100.00) % |
| Debt service | 99,299 | 99,299 | - | - % |
| Total | <u>\$ 36,833,845</u> | <u>\$ 36,148,814</u> | <u>\$ 685,031</u> | 1.90 % |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Overall general fund revenues increased \$275,744 or 0.78%. Property taxes decreased due to the timing of calendar year 2019 property tax payments. Certain District taxpayers paid their entire calendar year taxes later in the year than they have in prior years, but this should result in increased property tax revenue in fiscal year 2020. Payments in lieu of taxes increased due to an increase in Sycamore Township TIF Settlement amounts. Earnings on investments and the increase in fair value of investments increased due to the District earning greater interest rates in fiscal year 2019 when compared to fiscal year 2018. All other revenues remained comparable to the prior year.

Overall general fund expenditures increased \$685,031 or 1.90%. Facilities and acquisition and construction decreased \$447,262 or 21.86% due to the District spending less monies out of the general fund for capital related projects in fiscal year 2019. The District finished the construction on the air handling units and track resurfacing project during the current fiscal year. Instructional expenditures increased \$1,360,184 or 7.20% during fiscal year 2019 primarily due to increased handicapped special learning experiences expenditures for Grades 7 through 12. Capital outlay expenditures decreased \$468,590 or 100.00% due to the District not entering into any new lease agreements in fiscal year 2019. All other expenditures remained comparable to the prior year.

General Fund Budgeting Highlights

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

For the general fund, original and final budgeted revenues and other financing sources were \$31,146,668 and \$33,000,000, respectively. Of the \$1,853,332 increase between the original and final budgeted revenues, \$800,360 was in the area of property taxes. Actual revenues and other financing sources for fiscal 2019 were \$32,975,315, which was \$24,685 less than the final budget estimates.

General fund original appropriations (appropriated expenditures) were \$35,590,368 and final appropriations were \$40,590,370. The actual budget basis expenditures and other financing uses for fiscal 2019 totaled \$40,503,541, which was \$86,829 less than the final budgeted appropriations. The primary area of decrease from the final budget to actual expenses was in the area of instruction as the District conservatively budgeted in the original and final budgets.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2019, the District had \$44,086,445 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2019 balances compared to the fiscal 2018 balances:

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

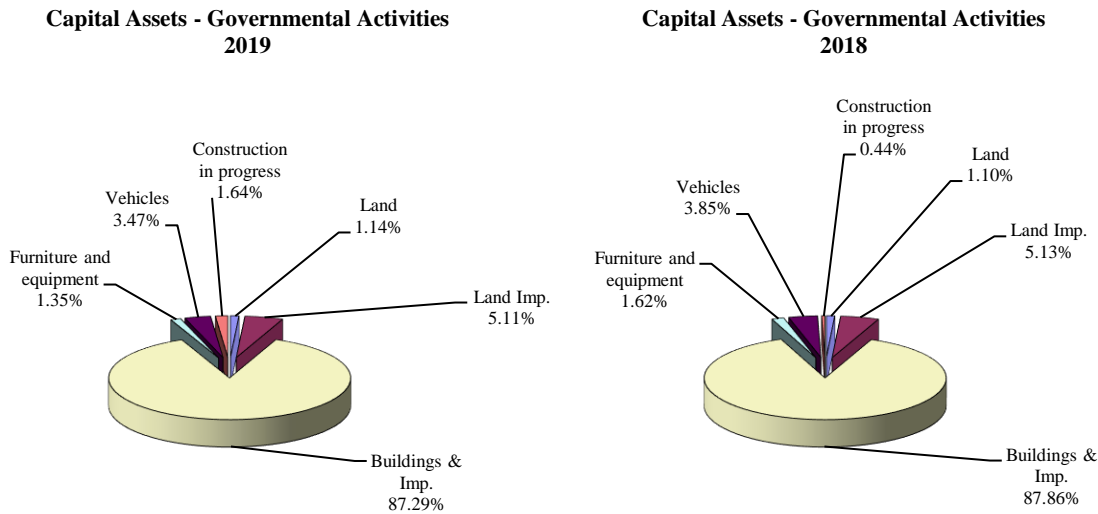
| | Governmental Activities | |
|----------------------------|-------------------------|---------------|
| | 2019 | 2018 |
| Land | \$ 501,523 | \$ 501,523 |
| Construction in progress | 722,323 | 200,500 |
| Land improvements | 2,253,370 | 2,331,758 |
| Buildings and improvements | 38,482,798 | 39,922,360 |
| Furniture and equipment | 596,810 | 737,865 |
| Vehicles | 1,529,621 | 1,751,228 |
| Total | \$ 44,086,445 | \$ 45,445,234 |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total decrease to capital assets for 2019 was \$1,358,789. This is due to the additions of \$958,441 being less than total depreciation expense of \$2,317,230 and disposals (net accumulated depreciation).

The graphs below present the District's capital assets for fiscal 2019 and fiscal 2018.



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

Debt Administration

The District has \$13,580,000 and \$281,684 in general obligation bonds and lease-purchase obligations, respectively, outstanding at June 30, 2019. Of this total, \$1,311,272 is due within one year and \$12,550,412 is due in greater than one year. The following table summarizes the bonds and lease-purchase agreements outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> |
|--------------------------|---|---|
| General obligation bonds | \$ 13,580,000 | \$ 16,735,000 |
| Lease purchase agreement | <u>281,684</u> | <u>370,426</u> |
| Total | <u>\$ 13,861,684</u> | <u>\$ 17,105,426</u> |

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Financial Related Activities

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed periodically from the community's citizens. However, in recent years, expenditures have exceeded revenues. Generally speaking, this happened because inflation of the District's expenses far exceeds inflation of the District's revenue. More specifically, the District has invested significant resources in maintaining the District's aging capital infrastructure, as well as devoting those same resources to retaining and attracting a highly qualified staff.

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

The Board of Education has a collectively bargained agreement with the Indian Hill Educators Professional Organization which runs through June 30, 2021. This agreement covers teachers, counselors, psychologists, and media specialists. Our certified staff has an average annual salary of \$84,408. 160 certified staff members have a master's degree and three have doctorates. All certified staff, classified staff, and administrators are eligible for District medical, dental and life insurance benefits. The District currently pays 85% of all medical insurance premiums.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 21,609,529 |
| Receivables: | |
| Property taxes | 27,332,797 |
| Payment in lieu of taxes. | 4,712,142 |
| Accounts. | 29,071 |
| Accrued interest | 77,971 |
| Intergovernmental | 122,448 |
| Prepayments | 79,228 |
| Net OPEB asset | 2,232,686 |
| Capital assets: | |
| Nondepreciable capital assets | 1,223,846 |
| Depreciable capital assets, net | 42,862,599 |
| Capital assets, net | <u>44,086,445</u> |
| Total assets. | <u>100,282,317</u> |
| Deferred outflows of resources: | |
| Unamortized deferred charges on debt refunding. | 299,967 |
| Pension | 10,794,275 |
| OPEB | 420,518 |
| Total deferred outflows of resources | <u>11,514,760</u> |
| Liabilities: | |
| Accounts payable. | 257,188 |
| Contracts payable. | 261,348 |
| Accrued wages and benefits payable | 3,136,211 |
| Pension and postemployment benefits payable | 479,419 |
| Intergovernmental payable | 53,770 |
| Accrued interest payable | 84,014 |
| Matured bonds payable | 28,492 |
| Long-term liabilities: | |
| Due within one year. | 1,521,822 |
| Due in more than one year: | |
| Net pension liability | 38,465,364 |
| Net OPEB liability | 3,875,211 |
| Other amounts due in more than one year | 15,454,812 |
| Total liabilities | <u>63,617,651</u> |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year | 16,379,040 |
| Payment in lieu of taxes levied for the next fiscal year. | 4,712,142 |
| Pension | 4,427,645 |
| OPEB | 4,419,902 |
| Total deferred inflows of resources | <u>29,938,729</u> |
| Net position: | |
| Net investment in capital assets | 29,065,674 |
| Restricted for: | |
| Debt service. | 2,421,832 |
| Federally funded programs | 11,564 |
| State funded programs. | 129,753 |
| Student activities | 505,198 |
| Food service operations. | 180,355 |
| Unrestricted (deficit) | (14,073,679) |
| Total net position. | <u>\$ 18,240,697</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, 2019

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|--|----------------------|-----------------------------------|---------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 14,746,470 | \$ 438,932 | \$ 9,300 | \$ (14,298,238) |
| Special | 3,714,949 | 26,882 | 422,778 | (3,265,289) |
| Vocational | 15,977 | - | 62 | (15,915) |
| Other | 570,095 | - | 136,589 | (433,506) |
| Support services: | | | | |
| Pupil | 2,634,174 | - | 71,148 | (2,563,026) |
| Instructional staff | 1,828,703 | - | 55,168 | (1,773,535) |
| Board of education | 21,718 | - | - | (21,718) |
| Administration | 2,657,480 | - | - | (2,657,480) |
| Fiscal | 835,317 | - | - | (835,317) |
| Business | 77,977 | - | - | (77,977) |
| Operations and maintenance | 4,176,358 | 12,200 | 11,170 | (4,152,988) |
| Pupil transportation | 2,251,781 | - | - | (2,251,781) |
| Central | 173,077 | - | - | (173,077) |
| Operation of non-instructional services: | | | | |
| Food service operations | 787,796 | 568,195 | 47,350 | (172,251) |
| Other non-instructional services | 970,480 | - | 780,002 | (190,478) |
| Extracurricular activities | 1,282,667 | 464,162 | 143,356 | (675,149) |
| Interest and fiscal charges | 521,302 | - | - | (521,302) |
| Total governmental activities | \$ 37,266,321 | \$ 1,510,371 | \$ 1,676,923 | (34,079,027) |

| | |
|--|----------------------|
| General revenues: | |
| Property taxes levied for: | |
| General purposes | 24,237,651 |
| Debt service | 1,568,765 |
| Payments in lieu of taxes | 4,815,530 |
| Grants and entitlements not restricted to specific programs | 4,906,078 |
| Investment earnings | 450,357 |
| Increase in fair value of investments | 398,257 |
| Miscellaneous | 175,891 |
| Total general revenues | 36,552,529 |
| Change in net position | 2,473,502 |
| Net position at beginning of year | 15,767,195 |
| Net position at end of year | \$ 18,240,697 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--|---|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 18,798,853 | \$ 2,810,676 | \$ 21,609,529 |
| Receivables: | | | |
| Property taxes | 25,578,379 | 1,754,418 | 27,332,797 |
| Payment in lieu of taxes | 4,712,142 | - | 4,712,142 |
| Accounts | 1,260 | 27,811 | 29,071 |
| Accrued interest | 77,971 | - | 77,971 |
| Interfund loans | 78,412 | - | 78,412 |
| Intergovernmental | 3,145 | 119,303 | 122,448 |
| Prepayments | 79,228 | - | 79,228 |
| Total assets | <u>\$ 49,329,390</u> | <u>\$ 4,712,208</u> | <u>\$ 54,041,598</u> |
| Liabilities: | | | |
| Accounts payable | \$ 129,180 | \$ 128,008 | \$ 257,188 |
| Contracts payable | 261,348 | - | 261,348 |
| Accrued wages and benefits payable | 3,076,188 | 60,023 | 3,136,211 |
| Compensated absences payable | 123,452 | - | 123,452 |
| Pension and postemployment benefits payable | 462,352 | 17,067 | 479,419 |
| Intergovernmental payable | 50,494 | 3,276 | 53,770 |
| Interfund loans payable | - | 78,412 | 78,412 |
| Matured bonds payable | 28,492 | - | 28,492 |
| Total liabilities | <u>4,131,506</u> | <u>286,786</u> | <u>4,418,292</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year | 15,255,071 | 1,123,969 | 16,379,040 |
| Payment in lieu of taxes levied for the next fiscal year | 4,712,142 | - | 4,712,142 |
| Delinquent property tax revenue not available | 473,308 | 30,449 | 503,757 |
| Interest revenue not available | 30,311 | - | 30,311 |
| Intergovernmental revenue not available | - | 119,303 | 119,303 |
| Total deferred inflows of resources | <u>20,470,832</u> | <u>1,273,721</u> | <u>21,744,553</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepays | 79,228 | - | 79,228 |
| Restricted: | | | |
| Debt service | - | 2,468,708 | 2,468,708 |
| Food service operations | - | 175,265 | 175,265 |
| Non-public schools | - | 129,753 | 129,753 |
| Extracurricular | - | 505,198 | 505,198 |
| Assigned: | | | |
| Student instruction | 9,204 | - | 9,204 |
| Student and staff support | 193,556 | - | 193,556 |
| Facilities acquisition and construction | 3,668,425 | - | 3,668,425 |
| Subsequent year's appropriations | 1,262,591 | - | 1,262,591 |
| Other purposes | 18,744 | - | 18,744 |
| Unassigned (deficit) | 19,495,304 | (127,223) | 19,368,081 |
| Total fund balances | <u>24,727,052</u> | <u>3,151,701</u> | <u>27,878,753</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 49,329,390</u> | <u>\$ 4,712,208</u> | <u>\$ 54,041,598</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | | | |
|---|----|--------------|-------------------|
| Total governmental fund balances | | \$ | 27,878,753 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 44,086,445 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 503,757 | |
| Accrued interest receivable | | 30,311 | |
| Intergovernmental receivable | | 119,303 | |
| Total | | | 653,371 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (1,197,706) |
| Unamortized amounts on refundings are not recognized in the funds. | | | 299,967 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (84,014) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | | |
| Deferred outflows of resources - pension | | 10,794,275 | |
| Deferred inflows of resources - pension | | (4,427,645) | |
| Net pension liability | | (38,465,364) | |
| Total | | | (32,098,734) |
| The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds. | | | |
| Deferred outflows of resources - OPEB | | 420,518 | |
| Deferred inflows of resources - OPEB | | (4,419,902) | |
| Net OPEB asset | | 2,232,686 | |
| Net OPEB liability | | (3,875,211) | |
| Total | | | (5,641,909) |
| 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 | | (13,580,000) | |
| Lease-purchase agreements | | (281,684) | |
| Compensated absences | | (1,793,792) | |
| Total | | | (15,655,476) |
| Net position of governmental activities | | \$ | 18,240,697 |

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, 2019

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--|---|
| Revenues: | | | |
| From local sources: | | | |
| Property taxes | \$ 24,729,088 | \$ 1,658,294 | \$ 26,387,382 |
| Payment in lieu of taxes | 4,815,530 | - | 4,815,530 |
| Tuition. | 185,503 | - | 185,503 |
| Earnings on investments | 451,361 | 20,613 | 471,974 |
| Charges for services | - | 568,195 | 568,195 |
| Extracurricular. | 18,437 | 445,725 | 464,162 |
| Classroom materials and fees | 280,311 | - | 280,311 |
| Rental income | 12,200 | - | 12,200 |
| Contributions and donations | 150 | 1,285 | 1,435 |
| Other local revenues | 175,891 | 140,000 | 315,891 |
| Intergovernmental - state | 4,666,572 | 1,012,442 | 5,679,014 |
| Intergovernmental - federal | - | 701,902 | 701,902 |
| Increase in fair value of investments | 398,257 | - | 398,257 |
| Total revenues | <u>35,733,300</u> | <u>4,548,456</u> | <u>40,281,756</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular. | 15,991,961 | 7,798 | 15,999,759 |
| Special | 3,732,916 | 366,283 | 4,099,199 |
| Vocational | 5,009 | - | 5,009 |
| Other | 518,528 | 130,174 | 648,702 |
| Support services: | | | |
| Pupil | 2,873,847 | 76,913 | 2,950,760 |
| Instructional staff | 1,810,376 | 51,897 | 1,862,273 |
| Board of education | 23,705 | - | 23,705 |
| Administration | 2,940,828 | - | 2,940,828 |
| Fiscal | 852,979 | 26,175 | 879,154 |
| Business. | 77,977 | - | 77,977 |
| Operations and maintenance | 3,110,945 | 11,170 | 3,122,115 |
| Pupil transportation | 2,124,452 | - | 2,124,452 |
| Central | 187,412 | - | 187,412 |
| Operation of non-instructional services: | | | |
| Food service operations. | - | 686,694 | 686,694 |
| Other non-instructional services | 63,872 | 937,680 | 1,001,552 |
| Extracurricular activities | 821,398 | 424,559 | 1,245,957 |
| Facilities acquisition and construction. | 1,598,341 | - | 1,598,341 |
| Debt service: | | | |
| Principal retirement. | 88,742 | 3,155,000 | 3,243,742 |
| Interest and fiscal charges | 10,557 | 540,338 | 550,895 |
| Total expenditures | <u>36,833,845</u> | <u>6,414,681</u> | <u>43,248,526</u> |
| Net change in fund balances | (1,100,545) | (1,866,225) | (2,966,770) |
| Fund balances at beginning of year. | <u>25,827,597</u> | <u>5,017,926</u> | <u>30,845,523</u> |
| Fund balances at end of year. | <u>\$ 24,727,052</u> | <u>\$ 3,151,701</u> | <u>\$ 27,878,753</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, 2019

Net change in fund balances - total governmental funds \$ (2,966,770)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|---------------------------|--------------------|--------------------|
| Capital asset additions | \$ 958,441 | |
| Current year depreciation | (2,317,230) | |
| Total | (1,358,789) | (1,358,789) |

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

| | | |
|-------------------------|------------------|------------------|
| Property taxes | (580,966) | |
| Earnings on investments | (1,004) | |
| Intergovernmental | 40,037 | |
| Total | (541,933) | (541,933) |

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

| | | |
|----------------------------|------------------|------------------|
| Bonds | 3,155,000 | |
| Lease-purchase obligations | 88,742 | |
| Total | 3,243,742 | 3,243,742 |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due:

| | | |
|--------------------------------------|---------------|---------------|
| Decrease in accrued interest payable | (30,050) | |
| Amortization of bond premiums | 185,394 | |
| Amortization of deferred charges | (125,751) | |
| Total | 29,593 | 29,593 |

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

3,032,294

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(3,650,020)

Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

96,479

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.

4,794,639

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

(205,733)

Change in net position of governmental activities \$ 2,473,502

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, 2019

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 21,448,860 | \$ 22,249,220 | \$ 22,249,088 | \$ (132) |
| Payment in lieu of taxes. | 4,667,941 | 4,815,531 | 4,815,531 | - |
| Tuition. | 196,278 | 210,682 | 185,503 | (25,179) |
| Earnings on investments | 160,963 | 415,000 | 435,905 | 20,905 |
| Extracurricular. | - | - | 3,885 | 3,885 |
| Classroom materials and fees | - | 279,921 | 280,311 | 390 |
| Rental income | 14,633 | 15,000 | 14,120 | (880) |
| Other local revenues | 19,511 | 27,885 | 24,361 | (3,524) |
| Intergovernmental - state | 4,610,482 | 4,653,012 | 4,647,626 | (5,386) |
| Total revenues | <u>31,118,668</u> | <u>32,666,251</u> | <u>32,656,330</u> | <u>(9,921)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 17,102,038 | 16,188,054 | 15,737,616 | 450,438 |
| Special | 3,671,722 | 3,804,248 | 3,700,136 | 104,112 |
| Vocational. | - | - | 5,009 | (5,009) |
| Other. | 514,345 | 491,555 | 526,300 | (34,745) |
| Support services: | | | | |
| Pupil | 3,045,156 | 3,113,928 | 2,913,584 | 200,344 |
| Instructional staff | 2,332,502 | 2,183,659 | 1,808,680 | 374,979 |
| Board of education | 9,931 | 22,523 | 24,834 | (2,311) |
| Administration. | 2,795,399 | 2,855,019 | 3,008,790 | (153,771) |
| Fiscal | 331,504 | 632,650 | 733,444 | (100,794) |
| Business | - | 105,596 | 77,977 | 27,619 |
| Operations and maintenance. | 1,670,793 | 2,726,333 | 3,200,745 | (474,412) |
| Pupil transportation | 2,130,057 | 2,201,237 | 2,204,943 | (3,706) |
| Central. | 116,219 | 140,734 | 192,769 | (52,035) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 68,947 | 62,752 | 62,156 | 596 |
| Extracurricular activities. | 858,535 | 781,401 | 824,078 | (42,677) |
| Facilities acquisition and construction | 943,220 | 5,280,681 | 5,400,071 | (119,390) |
| Total expenditures | <u>35,590,368</u> | <u>40,590,370</u> | <u>40,421,132</u> | <u>169,238</u> |
| (Deficiency) of revenues (under) expenditures. | (4,471,700) | (7,924,119) | (7,764,802) | 159,317 |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | 286,485 | 286,485 | - |
| Refund of prior year's receipts. | - | - | (3,997) | (3,997) |
| Advances in. | 10,000 | 32,500 | 32,500 | - |
| Advances (out) | - | - | (78,412) | (78,412) |
| Sale of capital assets | 18,000 | 14,764 | - | (14,764) |
| Total other financing sources (uses) | <u>28,000</u> | <u>333,749</u> | <u>236,576</u> | <u>(97,173)</u> |
| Net change in fund balance | (4,443,700) | (7,590,370) | (7,528,226) | 62,144 |
| Fund balance at beginning of year | 20,780,085 | 20,780,085 | 20,780,085 | - |
| Prior year encumbrances appropriated | 1,090,369 | 1,090,369 | 1,090,369 | - |
| Fund balance at end of year | <u>\$ 17,426,754</u> | <u>\$ 14,280,084</u> | <u>\$ 14,342,228</u> | <u>\$ 62,144</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Agency |
|---|---------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 66,901 |
| Liabilities: | |
| Accounts payable | \$ 26 |
| Due to students. | 66,875 |
| Total liabilities | \$ 66,901 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Indian Hill Exempted Village School District (the “District”) is located in Hamilton County, including all of the Village of Indian Hill, Ohio, and portions of surrounding townships. The District serves an area of approximately 23 square miles.

The District was established in 1936 through the consolidation of existing land areas and school districts. The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District was originally chartered by the Ohio State Legislature. In 1853, State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.09 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board controls the District’s instructional and support facilities staffed by 196 certified teaching and administrative personnel and 101 classified personnel to provide services to 2,041 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

JOINTLY GOVERNED ORGANIZATION

Hamilton Clermont Cooperative

The District is a participant in the Hamilton Clermont Cooperative (HCC) which is a computer consortium. HCC is an association of 31 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The Governing Board of HCC consists of the superintendents and/or treasurers of the participating districts. HCC 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 HCC Board of Education, Tom Collins, Director, at 1007 Cottonwood Drive, Loveland, Ohio 45140.

PUBLIC ENTITY RISK POOL

Southwest Ohio Organization of School Health

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Members assume no liability beyond the payment of any dues, fees, or cooperative costs assessed by the SWOOSH and any contractual obligations for agreements entered into between the Member and the SWOOSH. Members do not assume liability for the debts of the SWOOSH and any Member withdrawing from the SWOOSH forfeits any claim to the cooperative's assets. No Member may withdraw during the first two years after joining the SWOOSH. After the first two years of membership, a Member may withdraw at the end of any fiscal year by providing written notice of its intent to withdraw to the Board by March 1 of such fiscal year. Upon withdrawal from the SWOOSH, a school district may not become a Member again for two years and until it has fully complied with the criteria and procedures for membership established by the Board. Financial information for the SWOOSH can be obtained from Brian Rabe, Treasurer of the Milford Exempted Village School District at 1099 State Route 131, Milford, Ohio 45150.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditure for principal and interest, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

See Note 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2019, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Bank (FFCB) securities, negotiable certificates of deposit, U.S. Treasury notes, commercial paper, U.S. Government money market mutual funds, and investment in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, investments are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$451,361, which includes \$40,662 assigned from other District funds.

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

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

G. Inventory

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

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food. At June 30, 2019, the District had no material consumable inventory.

H. Capital Assets

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 10 - 30 years |
| Buildings and improvements | 20 - 40 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 5 - 15 years |

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees over the age of fifty with at least ten years of service or any age with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

J. Interfund Balances

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds and lease-purchase agreements are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Unamortized Bond Premiums and Discounts/Accounting Gain or Loss

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

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

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

M. Fund Balance

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

P. Estimates

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

Q. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2019, the balance in the budget stabilization reserve was \$97,976. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. During fiscal year 2019, the District had no transfers.

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

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Parochial Schools

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

V. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|--|----------------|
| IDEA Part B | \$ 60,092 |
| Title III | 3,299 |
| Title I | 52,204 |
| IDEA Preschool Grant for the Handicapped | 1,590 |
| Improving Teacher Quality | 7,449 |
| Miscellaneous Federal Grants | 2,589 |

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$2,409,015. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, \$755,198 of the District's bank balance of \$2,599,096 was exposed to custodial risk as discussed below, while \$1,843,898 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2019, the District had the following investments and maturities:

| Measurement/ Investment type: | Measurement Value | Investment Maturities | | | | |
|--|----------------------|-----------------------|---------------------|--------------------|--------------------|---------------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| <i>Fair Value:</i> | | | | | | |
| FHLB | \$ 197,508 | \$ - | \$ - | \$ - | \$ - | \$ 197,508 |
| FNMA | 598,785 | 299,562 | 299,223 | - | - | - |
| FHLMC | 1,045,610 | 299,748 | - | - | - | 745,862 |
| FFCB | 446,184 | - | - | - | - | 446,184 |
| Negotiable CDs | 3,501,191 | - | - | - | 497,791 | 3,003,400 |
| U.S. Treasury Notes | 9,104,115 | 747,978 | 1,158,039 | 748,433 | 494,735 | 5,954,930 |
| Commerical paper | 3,207,306 | 2,737,531 | 469,775 | - | - | - |
| U.S. government money market mutual funds | 416,611 | 416,611 | - | - | - | - |
| <i>Amortized Cost:</i> | | | | | | |
| STAR Ohio | 750,105 | 750,105 | - | - | - | - |
| Total | <u>\$ 19,267,415</u> | <u>\$ 5,251,535</u> | <u>\$ 1,927,037</u> | <u>\$ 748,433</u> | <u>\$ 992,526</u> | <u>\$ 10,347,884</u> |

The weighted average maturity of investments is 2.03 years.

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

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

Credit Risk: The federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Commercial paper investments were rated A-1 and A-1+ by Standard & Poor's and P-1 by Moody's Investor Services. The U.S. Government money market mutual funds were not rated. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with credit risk.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

The following table includes the percentage of each investment type held at June 30, 2019:

| Measurement/ <u>Investment type:</u> | Measurement | |
|--|----------------------|-------------------|
| | <u>Value</u> | <u>% of Total</u> |
| <i>Fair Value:</i> | | |
| FHLB | \$ 197,508 | 1.03 |
| FNMA | 598,785 | 3.11 |
| FHLMC | 1,045,610 | 5.43 |
| FFCB | 446,184 | 2.32 |
| Negotiable CDs | 3,501,191 | 18.17 |
| U.S. Treasury Notes | 9,104,115 | 47.24 |
| Commerical paper | 3,207,306 | 16.65 |
| U.S. government money market mutual funds | 416,611 | 2.16 |
| <i>Amortized Cost:</i> | | |
| STAR Ohio | <u>750,105</u> | <u>3.89</u> |
| Total | <u>\$ 19,267,415</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2019:

| | |
|---|----------------------|
| <u>Cash and investments per note disclosure</u> | |
| Carrying amount of deposits | \$ 2,409,015 |
| Investments | <u>19,267,415</u> |
| Total | <u>\$ 21,676,430</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

| | |
|---|----------------------|
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 21,609,529 |
| Agency fund | <u>66,901</u> |
| Total | <u>\$ 21,676,430</u> |

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$9,850,000 in the general fund and \$600,000 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$7,370,000 in the general fund and \$1,080,000 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2019 taxes were collected are:

| | 2018 Second Half Collections | | 2019 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 1,232,795,130 | 99.03 | \$ 1,241,426,980 | 98.97 |
| Public utility personal | <u>12,079,330</u> | <u>0.97</u> | <u>12,874,240</u> | <u>1.03</u> |
| Total | <u>\$ 1,244,874,460</u> | <u>100.00</u> | <u>\$ 1,254,301,220</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| General operations | \$42.92 | | \$42.92 | |
| Bond retirement | 3.24 | | 1.45 | |

NOTE 6 - PAYMENT IN LIEU OF TAXES

In accordance with State law, Sycamore Township (the "Township") has entered into tax increment financing (TIF) agreements. Under these agreements, the Township redirects, but does not abate, payments in lieu of taxes (PILOT) received on the incremental increase in the value of the property to help finance infrastructure improvements. The property owners' contractual promise to make these PILOT payments generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make PILOT payments. The Township has agreed to compensate the District with a portion of the collected PILOT, which amounted to \$4,815,530 during fiscal year 2019.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2019 consisted of taxes, payments in lieu of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

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

Governmental activities:

| | |
|---------------------------|----------------------|
| Property taxes | \$ 27,332,797 |
| Payments in lieu of taxes | 4,712,142 |
| Accounts | 29,071 |
| Accrued interest | 77,971 |
| Intergovernmental | <u>122,448</u> |
| Total | <u>\$ 32,274,429</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - OTHER COMMITMENTS

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

| <u>Fund</u> | <u>Year-End</u> |
|-----------------------------|----------------------------|
| General fund | \$ 3,843,965 |
| Nonmajor governmental funds | <u>176,763</u> |
| Total | <u>\$ 4,020,728</u> |

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

| <u>Governmental activities:</u> | <u>Balance</u> <u>06/30/18</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/19</u> |
|--|-----------------------------------|------------------------------|----------------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 501,523 | \$ - | \$ - | \$ 501,523 |
| Construction in progress | <u>200,500</u> | <u>824,307</u> | <u>(302,484)</u> | <u>722,323</u> |
| <i>Total capital assets, not being depreciated</i> | <u>702,023</u> | <u>824,307</u> | <u>(302,484)</u> | <u>1,223,846</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 4,993,627 | 160,161 | - | 5,153,788 |
| Buildings and improvements | 67,507,138 | 165,895 | - | 67,673,033 |
| Equipment and furniture | 8,509,994 | 102,646 | (136,256) | 8,476,384 |
| Vehicles | <u>3,219,816</u> | <u>7,916</u> | <u>-</u> | <u>3,227,732</u> |
| <i>Total capital assets, being depreciated</i> | <u>84,230,575</u> | <u>436,618</u> | <u>(136,256)</u> | <u>84,530,937</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (2,661,869) | (238,549) | - | (2,900,418) |
| Buildings and improvements | (27,584,778) | (1,605,457) | - | (29,190,235) |
| Equipment and furniture | (7,772,129) | (243,701) | 136,256 | (7,879,574) |
| Vehicles | <u>(1,468,588)</u> | <u>(229,523)</u> | <u>-</u> | <u>(1,698,111)</u> |
| <i>Total accumulated depreciation</i> | <u>(39,487,364)</u> | <u>(2,317,230)</u> | <u>136,256</u> | <u>(41,668,338)</u> |
| Total capital assets, net | <u>\$ 45,445,234</u> | <u>\$ (1,056,305)</u> | <u>\$ (302,484)</u> | <u>\$ 44,086,445</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 824,805 |
| Special | 55,218 |
| Vocational | 10,968 |
| <u>Support services:</u> | |
| Pupil | 28,747 |
| Instructional staff | 125,352 |
| Administration | 38,553 |
| Fiscal | 229 |
| Operations and maintenance | 544,600 |
| Pupil transportation | 376,286 |
| Operation of non-instructional services | 24,122 |
| Extracurricular activities | 152,567 |
| Food service operations | <u>135,783</u> |
| Total depreciation expense | <u>\$ 2,317,230</u> |

NOTE 10 - LEASE-PURCHASE AGREEMENTS

During fiscal year 2018, the District entered into lease-purchase agreements with Santander Bank for \$468,590 to finance the acquisition of five school buses. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District.

Lease-purchase payments are reported as function expenditures on a budgetary basis. However, on a GAAP basis, these payments have been reclassified and are reported as debt service expenditures in the general fund. During fiscal year 2019, the District made principal and interest payments of \$88,742 and \$10,557, respectively, on the lease-purchase agreements.

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net position. Capital assets consisting of vehicles have been capitalized in the amount of \$468,590.

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, 2019:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2020 | \$ 99,299 |
| 2021 | 99,299 |
| 2022 | <u>99,299</u> |
| Total minimum lease payments | 297,897 |
| Less: amount representing interest | <u>(16,213)</u> |
| Total | <u>\$ 281,684</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2019, the following activity occurred in the governmental activities long-term obligations.

| <u>Governmental activities:</u> | Balance 06/30/18 | Increases | Decreases | Balance 06/30/19 | Amount Due Within One Year |
|-------------------------------------|----------------------|-------------------|------------------------|----------------------|----------------------------------|
| <u>General Obligation Bonds:</u> | | | | | |
| Series 2005 - refunding | \$ 2,990,000 | \$ - | \$ (2,990,000) | \$ - | \$ - |
| Series 2016 - refunding | <u>13,745,000</u> | <u>-</u> | <u>(165,000)</u> | <u>13,580,000</u> | <u>1,220,000</u> |
| Total general obligation bonds | <u>16,735,000</u> | <u>-</u> | <u>(3,155,000)</u> | <u>13,580,000</u> | <u>1,220,000</u> |
| <u>Other Long-Term Obligations:</u> | | | | | |
| Lease purchase agreement | 370,426 | - | (88,742) | 281,684 | 91,272 |
| Net pension liability | 43,173,893 | - | (4,708,529) | 38,465,364 | - |
| Net OPEB liability | 9,685,284 | - | (5,810,073) | 3,875,211 | - |
| Compensated absences | <u>1,714,393</u> | <u>418,252</u> | <u>(215,401)</u> | <u>1,917,244</u> | <u>210,550</u> |
| Total other long-term obligations | <u>54,943,996</u> | <u>418,252</u> | <u>(10,822,745)</u> | <u>44,539,503</u> | <u>301,822</u> |
| Total governmental activities | <u>\$ 71,678,996</u> | <u>\$ 418,252</u> | <u>\$ (13,977,745)</u> | 58,119,503 | <u>\$ 1,521,822</u> |
| Add: unamortized premium on bonds | | | | <u>1,197,706</u> | |
| Total on statement of net position | | | | <u>\$ 59,317,209</u> | |

General Obligation Bonds

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

Lease Purchase Agreement

The lease purchase agreement is being repaid from the general fund. See Note 10 for more detail on the District's lease-purchase agreement.

Net Pension Liability

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

Net OPEB Liability

More information on the District's net OPEB liability information can be found in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Series 2005 General Obligation Refunding Bonds

On July 19, 2005, the District issued Series 2005 General Obligation Refunding Bonds (Series 2005 Refunding Bonds) in order to advance refund a callable portion of the Series 2001 General Obligation school facilities improvement bonds. Payments of principal and interest relating to these bonds were recorded as expenditures of the bond retirement fund.

The Series 2001 bonds which have been advance refunded were originally scheduled to mature on and from December 1, 2014 through and including December 1, 2018. Proceeds of the Series 2005 Refunding Bonds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. At June 30, 2019, the balance of the refunded bonds was \$16,670,000.

The refunding issue was 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 ranged from 3.00% to 5.00%. The capital appreciation bonds matured on December 1, 2015 (effective interest rate of 7.5219%) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date.

The current interest bonds were not subject to early redemption.

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

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

C. Series 2016 General Obligation Refunding Bonds

On September 14, 2016, the District issued Series 2016 General Obligation Refunding Bonds (Series 2016 Refunding Bonds) to advance refund the callable portion of the Series 2006 Refunding Bonds (principal \$15,015,000; interest rate of 4.00% to 4.75%). Issuance proceeds of \$15,332,019 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds was \$14,760,000 at June 30, 2019.

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

The reacquisition price exceeded the net carrying amount of the old debt (including unamortized deferred changes and unamortized premiums) by \$541,394. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The refunding was undertaken to reduce future debt service payments by \$330,887.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Principal and interest requirements to retire the Series 2016 Refunding Bonds outstanding at June 30, 2019 are as follows:

| <u>Fiscal Year</u> | <u>Current Interest Bonds - Series 2016</u> | | |
|--------------------|---|-----------------|---------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2020 | \$ 1,220,000 | \$ 439,537 | \$ 1,659,537 |
| 2021 | 1,270,000 | 389,738 | 1,659,738 |
| 2022 | 1,370,000 | 336,937 | 1,706,937 |
| 2023 | 1,430,000 | 298,814 | 1,728,814 |
| 2024 | 1,455,000 | 251,712 | 1,706,712 |
| 2025 - 2028 | 6,835,000 | 387,306 | 7,222,306 |
| Total | \$ 13,580,000 | \$ 2,104,044 | \$ 15,684,044 |

D. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$101,775,818 (including available funds of \$2,468,708) and an unvoted debt margin of \$1,254,301.

NOTE 12 - RISK MANAGEMENT

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Age 65 with 5 years of services credit; or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$664,238 for fiscal year 2019. Of this amount, \$43,385 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,368,056 for fiscal year 2019. Of this amount, \$349,924 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.14906850% | 0.14425203% | |
| Proportion of the net pension liability current measurement date | <u>0.13819580%</u> | <u>0.13894386%</u> | |
| Change in proportionate share | <u>-0.01087270%</u> | <u>-0.00530817%</u> | |
| Proportionate share of the net pension liability | \$ 7,914,729 | \$ 30,550,635 | \$ 38,465,364 |
| Pension expense | \$ 328,313 | \$ 3,321,707 | \$ 3,650,020 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|----------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 434,070 | \$ 705,203 | \$ 1,139,273 |
| Changes of assumptions | 178,730 | 5,414,149 | 5,592,879 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 10,015 | 1,019,814 | 1,029,829 |
| Contributions subsequent to the measurement date | <u>664,238</u> | <u>2,368,056</u> | <u>3,032,294</u> |
| Total deferred outflows of resources | <u>\$ 1,287,053</u> | <u>\$ 9,507,222</u> | <u>\$ 10,794,275</u> |
| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 199,513 | \$ 199,513 |
| Net difference between projected and actual earnings on pension plan investments | 219,291 | 1,852,555 | 2,071,846 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>525,071</u> | <u>1,631,215</u> | <u>2,156,286</u> |
| Total deferred inflows of resources | <u>\$ 744,362</u> | <u>\$ 3,683,283</u> | <u>\$ 4,427,645</u> |

\$3,032,294 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| Fiscal Year Ending June 30: | | | |
| 2020 | \$ 247,812 | \$ 3,007,178 | \$ 3,254,990 |
| 2021 | (42,365) | 1,128,833 | 1,086,468 |
| 2022 | (259,738) | (94,966) | (354,704) |
| 2023 | <u>(67,256)</u> | <u>(585,162)</u> | <u>(652,418)</u> |
| Total | <u>\$ (121,547)</u> | <u>\$ 3,455,883</u> | <u>\$ 3,334,336</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 11,148,493 | \$ 7,914,729 | \$ 5,203,435 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

| | July 1, 2018 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.0%, effective July 1, 2017 |

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation** | Long Term Expected Real Rate of Return * |
|----------------------|------------------------|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 44,615,181 | \$ 30,550,635 | \$ 18,646,905 |

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$71,885.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$96,479 for fiscal year 2019. Of this amount, \$73,485 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|----------------|
| Proportion of the net OPEB liability prior measurement date | 0.15117360% | 0.14425203% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.13968400%</u> | <u>0.13894386%</u> | |
| Change in proportionate share | <u>-0.01148960%</u> | <u>-0.00530817%</u> | |
| Proportionate share of the net OPEB liability | \$ 3,875,211 | \$ - | \$ 3,875,211 |
| Proportionate share of the net OPEB asset | \$ - | \$ (2,232,686) | \$ (2,232,686) |
| OPEB expense | \$ 90,523 | \$ (4,885,162) | \$ (4,794,639) |

**INDIAN HILL EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 63,257 | \$ 260,782 | \$ 324,039 |
| Contributions subsequent to the measurement date | <u>96,479</u> | <u>-</u> | <u>96,479</u> |
| Total deferred outflows of resources | <u>\$ 159,736</u> | <u>\$ 260,782</u> | <u>\$ 420,518</u> |
| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 130,083 | \$ 130,083 |
| Net difference between projected and actual earnings on pension plan investments | 5,814 | 255,066 | 260,880 |
| Changes of assumptions | 348,158 | 3,042,212 | 3,390,370 |
| Difference between employer contributions and proportionate share of contributions/change in proportionate share | <u>394,437</u> | <u>244,132</u> | <u>638,569</u> |
| Total deferred inflows of resources | <u>\$ 748,409</u> | <u>\$ 3,671,493</u> | <u>\$ 4,419,902</u> |

\$96,479 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------------|-----------------------|
| Fiscal Year Ending June 30: | | | |
| 2020 | \$ (242,470) | \$ (609,460) | \$ (851,930) |
| 2021 | (201,624) | (609,460) | (811,084) |
| 2022 | (72,273) | (609,460) | (681,733) |
| 2023 | (69,801) | (551,534) | (621,335) |
| 2024 | (70,202) | (531,210) | (601,412) |
| Thereafter | <u>(28,782)</u> | <u>(499,587)</u> | <u>(528,369)</u> |
| Total | <u>\$ (685,152)</u> | <u>\$ (3,410,711)</u> | <u>\$ (4,095,863)</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.62% |
| Prior measurement date | 3.56% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.70% |
| Prior measurement date | 3.63% |
| Medical trend assumption: | |
| Medicare | 5.375 to 4.75% |
| Pre-Medicare | 7.25 to 4.75% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 4,702,264 | \$ 3,875,211 | \$ 3,220,340 |

| | 1% Decrease (6.25 % decreasing to 3.75 %) | Current Trend Rate (7.25 % decreasing to 4.75 %) | 1% Increase (8.25 % decreasing to 5.75 %) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | \$ 3,126,585 | \$ 3,875,211 | \$ 4,866,528 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

| | July 1, 2018 | July 1, 2017 |
|--------------------------------------|---|---|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00%, effective July 1, 2017 |
| Discounted rate of return | 7.45% | N/A |
| Blended discount rate of return | N/A | 4.13% |
| Health care cost trends | | 6 to 11% initial, 4.50% ultimate |
| | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 6.00% | 4.00% |
| Medicare | 5.00% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 8.00% | 4.00% |
| Medicare | -5.23% | 4.00% |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation**</u> | <u>Long Term Expected Real Rate of Return *</u> |
|----------------------|--------------------------------|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB asset | \$ 1,913,621 | \$ 2,232,686 | \$ 2,500,845 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| District's proportionate share of the net OPEB asset | \$ 2,485,707 | \$ 2,232,686 | \$ 1,975,723 |

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ (7,528,226) |
| Net adjustment for revenue accruals | 2,910,738 |
| Net adjustment for expenditure accruals | (386,131) |
| Net adjustment for other sources/uses | (236,576) |
| Funds budgeted elsewhere | (89,863) |
| Adjustment for encumbrances | 4,229,513 |
| GAAP basis | \$ (1,100,545) |

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

C. Foundation funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability 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, 2019

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2018 | \$ - |
| Current year set-aside requirement | 365,666 |
| Current year qualifying expenditures | <u>(1,823,926)</u> |
| Total | <u>\$ (1,458,260)</u> |
| Balance carried forward to fiscal year 2020 | <u>\$ -</u> |
| Set-aside balance June 30, 2019 | <u><u>\$ -</u></u> |

NOTE 18 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2019, as reported on the fund statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|------------------|
| General Fund | Nonmajor governmental funds | <u>\$ 78,412</u> |

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|---------------|--------------|
| District's proportion of the net pension liability | 0.13819580% | 0.14906850% | 0.15464140% | 0.15787490% |
| District's proportionate share of the net pension liability | \$ 7,914,729 | \$ 8,906,514 | \$ 11,318,324 | \$ 9,008,495 |
| District's covered payroll | \$ 4,761,207 | \$ 5,052,064 | \$ 4,760,650 | \$ 4,682,458 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 166.23% | 176.29% | 237.75% | 192.39% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.36% | 69.50% | 62.98% | 69.16% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> |
|--------------|--------------|
| 0.15158800% | 0.15158800% |
| \$ 7,671,782 | \$ 9,014,452 |
| \$ 4,449,336 | \$ 3,818,064 |
| 172.43% | 236.10% |
| 71.70% | 65.52% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| | LAST SIX FISCAL YEARS | | | |
|--|-----------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 |
| District's proportion of the net pension liability | 0.13894386% | 0.14425203% | 0.14569108% | 0.15100969% |
| District's proportionate share of the net pension liability | \$ 30,550,635 | \$ 34,267,379 | \$ 48,767,196 | \$ 41,734,661 |
| District's covered payroll | \$ 16,532,179 | \$ 15,913,564 | \$ 15,385,029 | \$ 16,072,357 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 184.79% | 215.33% | 316.98% | 259.67% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.31% | 75.30% | 66.80% | 72.10% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> |
|---------------|---------------|
| 0.13322101% | 0.13322101% |
| \$ 32,403,960 | \$ 38,599,385 |
| \$ 14,658,546 | \$ 14,443,892 |
| 221.06% | 267.24% |
| 74.70% | 69.30% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|------------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Contractually required contribution | \$ 664,238 | \$ 642,763 | \$ 707,289 | \$ 666,491 |
| Contributions in relation to the contractually required contribution | <u>(664,238)</u> | <u>(642,763)</u> | <u>(707,289)</u> | <u>(666,491)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 4,920,281 | \$ 4,761,207 | \$ 5,052,064 | \$ 4,760,650 |
| Contributions as a percentage of covered payroll | 13.50% | 13.50% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 617,148 | \$ 616,678 | \$ 528,420 | \$ 541,544 | \$ 528,435 | \$ 556,439 |
| <u>(617,148)</u> | <u>(616,678)</u> | <u>(528,420)</u> | <u>(541,544)</u> | <u>(528,435)</u> | <u>(556,439)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 4,682,458 | \$ 4,449,336 | \$ 3,818,064 | \$ 4,026,349 | \$ 4,203,938 | \$ 4,109,594 |
| 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|--------------------|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Contractually required contribution | \$ 2,368,056 | \$ 2,314,505 | \$ 2,227,899 | \$ 2,153,904 |
| Contributions in relation to the contractually required contribution | <u>(2,368,056)</u> | <u>(2,314,505)</u> | <u>(2,227,899)</u> | <u>(2,153,904)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 16,914,686 | \$ 16,532,179 | \$ 15,913,564 | \$ 15,385,029 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,250,130 | \$ 1,905,611 | \$ 1,877,706 | \$ 1,956,088 | \$ 1,980,167 | \$ 1,946,419 |
| <u>(2,250,130)</u> | <u>(1,905,611)</u> | <u>(1,877,706)</u> | <u>(1,956,088)</u> | <u>(1,980,167)</u> | <u>(1,946,419)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 16,072,357 | \$ 14,658,546 | \$ 14,443,892 | \$ 15,046,831 | \$ 15,232,054 | \$ 14,972,454 |
| 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.13968400% | 0.15117360% | 0.15604927% |
| District's proportionate share of the net OPEB liability | \$ 3,875,211 | \$ 4,057,102 | \$ 4,447,981 |
| District's covered payroll | \$ 4,761,207 | \$ 5,052,064 | \$ 4,760,650 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 81.39% | 80.31% | 93.43% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.57% | 12.46% | 11.49% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

| | 2019 | 2018 | 2017 |
|---|----------------|---------------|---------------|
| District's proportion of the net OPEB liability/asset | 0.13894386% | 0.14425203% | 0.14569108% |
| District's proportionate share of the net OPEB liability/(asset) | \$ (2,232,686) | \$ 5,628,182 | \$ 7,791,597 |
| District's covered payroll | \$ 16,532,179 | \$ 15,913,564 | \$ 15,385,029 |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 13.51% | 35.37% | 50.64% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 176.00% | 47.10% | 37.33% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|-----------------|-----------------|-----------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Contractually required contribution | \$ 96,479 | \$ 96,979 | \$ 81,947 | \$ 76,118 |
| Contributions in relation to the contractually required contribution | <u>(96,479)</u> | <u>(96,979)</u> | <u>(81,947)</u> | <u>(76,118)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 4,920,281 | \$ 4,761,207 | \$ 5,052,064 | \$ 4,760,650 |
| Contributions as a percentage of covered payroll | 1.96% | 2.04% | 1.62% | 1.60% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| \$ 90,374 | \$ 66,517 | \$ 70,416 | \$ 93,727 | \$ 134,501 | \$ 91,756 |
| <u>(90,374)</u> | <u>(66,517)</u> | <u>(70,416)</u> | <u>(93,727)</u> | <u>(134,501)</u> | <u>(91,756)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 4,682,458 | \$ 4,449,336 | \$ 3,818,064 | \$ 4,026,349 | \$ 4,203,938 | \$ 4,109,594 |
| 1.93% | 1.49% | 1.84% | 2.33% | 3.20% | 2.23% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|---------------|---------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 16,914,686 | \$ 16,532,179 | \$ 15,913,564 | \$ 15,385,029 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ - | \$ 139,230 | \$ 144,439 | \$ 150,468 | \$ 152,321 | \$ 149,725 |
| - | (139,230) | (144,439) | (150,468) | (152,321) | (149,725) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 16,072,357 | \$ 14,658,546 | \$ 14,443,892 | \$ 15,046,831 | \$ 15,232,054 | \$ 14,972,454 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|--|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster | | | |
| National School Lunch Program | 10.555 | 3L60 | \$ 38,435 |
| Total U.S. Department of Agriculture - Total Child Nutrition Cluster | | | <u>38,435</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I, Part A : | | | |
| Grants to Local Education Agencies (Title I) | 84.010 | 3M00 | <u>140,461</u> |
| Total Title I, Part A | | | <u>140,461</u> |
| Special Education Cluster: | | | |
| Special Education Grants to States (IDEA part B) | 84.027 | 3M20 | 516,463 |
| IDEA Preschool Grant | 84.173 | 3C50 | <u>3,487</u> |
| Total Special Education Cluster | | | <u>519,950</u> |
| Student Support & Academic Enrichment | 84.424 | | 4,912 |
| Title III - Immigrant | 84.365B | | 2,049 |
| Title II-A - Improving Teacher Quality | 84.367 | 3Y60 | 47,285 |
| Total U.S. Department of Education | | | <u>714,657</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$753,092</u></u> |

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Indian Hill Exempted Village School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

Indian Hill Exempted Village School District does not have subrecipients.

NOTE E - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Hill Exempted Village School District, Hamilton County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2020

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
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SouthwestRegion@ohioauditor.gov

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Indian Hill Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Indian Hill Exempted Village School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Indian Hill Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2020

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2020**

FISCAL YEAR 2019-2020 BUDGET APPROPRIATIONS

The School District's August 2019 permanent budget appropriation resolution for the fiscal year ending June 30, 2020 is found on the immediately following pages. This number is subject to revision throughout the fiscal year.

| | |
|--|-------------------------|
| General Fund – 001 | 37,500,000.00 |
| Debt Service Fund – 002 | 1,700,000.00 |
| Food Service – 006 | 735,000.00 |
| Special Trust Fund – 007 | 9,800.00 |
| Public School Support Fund – 018 | 20,000.00 |
| District Agency – 022 | 20,000.00 |
| Severance – 035 | 150,000.00 |
| Student Managed Activity Fund – 200 | 200,000.00 |
| Athletic Fund – 300 | 500,000.00 |
| Auxiliary Fund – 401 | 713,255.63 |
| Network Connectivity – 451 | 7,200.00 |
| School Safety Grant – 499 | 8,995.56 |
| Student Wellness and Success – 467 | 70,000.00 |
| Title VI-B, IDEA | 666,040.58 |
| Title III, Immigrant – 551 | 8,532.59 |
| Title I-A, Improving Basic Programs – 572 | 182,653.49 |
| Title VI-B, Preschool - 587 | 5,092.46 |
| Title II-A, Teacher Quality - 590 | 61,248.59 |
| Title IV-A, Student Support & Academic Enrichment - 599 | <u>27,419.75</u> |
| Total Permanent Appropriation – Fiscal Year 2020 | 42,585,238.65 |

APPENDIX C

INDEBTEDNESS STATEMENT (as of 7/1/2019)

Ohio Revised Code Sections 133.04, 133.06 and 133.33

I, Mick Davis, Treasurer of the Board of Education of the Indian Hill Exempted Village School District in Hamilton County, Ohio, do hereby certify that the following statements concerning the finances of such Board of Education and School District are true and correct:

| | | | |
|----|---|----|----------------------|
| 1. | Tax valuation of the School District as shown by the tax lists and duplicates for the calendar year 2019, the year most recently certified for collection: | \$ | <u>1,263,327,770</u> |
| 2. | Total principal amount of all outstanding securities of the School District | \$ | <u>13,580,000</u> |
| 3. | Exempt securities included in item 2: | | |
| | (a) Notes issued in anticipation of the collection of current revenues under Section 133.10 O.R.C.: | \$ | <u>0</u> |
| | (b) Notes issued in anticipation of the collection of taxes under Sections 133.10 or 133.301 O.R.C.: | \$ | <u>0</u> |
| | (c) Notes with maturities over one year and issued in anticipation of the collection of the proceeds from a specifically identified voter-approved tax levy under Section 5705.194 or Section 5705.21 O.R.C.: | \$ | <u>0</u> |
| | (d) Securities issued under Sections 139.01 to 139.04 O.R.C. to participate in Federal aid programs: | \$ | <u>0</u> |
| | (e) Securities issued prior to August 19, 1994 to finance energy conservation measures under Section 3313.372 O.R.C.: | \$ | <u>0</u> |
| | (f) Securities evidencing loans received under Sections 3313.483, 3317.0211 and 3317.64 O.R.C.: | \$ | <u>0</u> |
| | (g) Securities issued to establish a self-insurance program for health care benefits under Section 9.833 O.R.C.: | \$ | <u>0</u> |
| | (h) Other exempt securities: | \$ | <u>0</u> |
| | Total of items 3(a) to 3(h) inclusive: | \$ | <u>0</u> |
| 4. | (a) Total securities subject to 9% limitation [item 2 minus item 3]: | \$ | <u>13,580,000</u> |
| | (b) Bond retirement fund applicable to principal of such securities: | \$ | <u>1,868,708</u> |
| | (c) Net amount subject to 9% limitation: | \$ | <u>11,711,292</u> |
| 5. | Securities included in item 4(a), but issued without authority of an election: | \$ | <u>0</u> |
| 6. | (a) Securities included in item 5 issued for energy conservation measures under Section 3313.372 O.R.C. after August 19, 1994 and Section 133.06(G) O.R.C.: | \$ | <u>0</u> |
| | (b) Bond retirement fund applicable to principal of such securities: | \$ | <u>NA</u> |
| | (c) Net amount subject to 9/10 of 1% limitation of Section 133.06(G) O.R.C.: | \$ | <u>0</u> |
| 7. | (a) Unvoted securities issued for other purposes [item 5 minus item 6(a)]: | \$ | <u>0</u> |
| | (b) Bond retirement fund applicable to principal of such securities: | \$ | <u>NA</u> |
| | (c) Net amount subject to 1/10 of 1% limitation of Section 133.06(A) O.R.C.: | \$ | <u>0</u> |
| 8. | Bonds or notes issued for the purpose of classroom facilities from the State under Chapter 3318. O.R.C., included in item 4(a): | \$ | <u>0</u> |
| 9. | Bonds or notes included in item 4(a) but issued beyond 9% limitation by virtue of certification as approved special needs district under Section 133.06(E) O.R.C.: | \$ | <u>0</u> |

**Historical Revenues and Expenditures
General Fund (a)
Fiscal Years 2015 through 2019 and Forecasted Fiscal Year 2020**

The figures in the table below have been taken from the School District's Five-Year Forecasts as reported to the State as required by Section 5705.391 of the Revised Code (the most recent of which was last updated in November 2019).

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 (c) |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue: | | | | | | |
| General Property Tax (Real Estate) | \$22,987,562 | \$23,796,994 | \$23,706,170 | \$27,343,946 | \$21,710,369 | \$24,513,707 |
| Tangible Personal Property Tax(b) | 503,322 | 532,842 | 449,652 | 590,537 | 538,701 | 597,109 |
| Unrestricted Grants-in-Aid | 1,283,508 | 1,350,118 | 1,406,651 | 1,505,970 | 1,451,036 | 1,530,568 |
| Restricted Grants-in-Aid | 356,367 | 171,449 | 156,623 | 172,886 | 127,274 | 150,000 |
| Restricted Grants-in-Aid – SFSF | 0 | 0 | 0 | 0 | 0 | 0 |
| Property Tax Allocation | 2,913,942 | 2,964,142 | 3,009,086 | 3,043,043 | 3,069,316 | 3,082,032 |
| All Other Revenues | 4,094,058 | 4,364,876 | 4,442,488 | 5,088,880 | 5,759,634 | 6,926,065 |
| Total Revenues | \$32,138,759 | \$33,180,421 | \$33,170,670 | \$37,745,262 | \$32,656,330 | \$36,799,481 |
| Other Financing Sources: | | | | | | |
| All Other Financing Sources | 1,959 | 37,527 | 21 | 17,947 | 286,486 | 15,000 |
| Total Other Financing Sources | 1,959 | 37,527 | 21 | 20,773 | 318,986 | 93,412 |
| Total Revenues and Other Financing Sources | \$32,140,718 | \$33,217,948 | \$33,170,691 | \$37,766,035 | \$32,975,316 | \$36,892,893 |
| Expenditures: | | | | | | |
| Personal Services | \$19,975,072 | \$19,296,004 | \$19,939,079 | \$19,609,110 | \$20,847,735 | \$21,646,474 |
| Employees' Retirement/Insurance Benefits | 6,606,266 | 7,108,026 | 6,834,753 | 6,882,954 | 7,394,950 | 7,731,795 |
| Purchased Services | 4,259,274 | 3,954,882 | 4,832,466 | 4,302,742 | 4,781,195 | 4,576,749 |
| Supplies and Materials | 1,131,576 | 1,336,682 | 1,273,041 | 1,381,585 | 1,323,216 | 1,354,202 |
| Capital Outlay | 5,148,826 | 1,476,727 | 1,208,802 | 2,767,793 | 1,424,435 | 5,999,500 |
| Other Objects | 461,333 | 457,226 | 523,279 | 522,873 | 420,090 | 499,449 |
| Total Expenditures | \$37,582,347 | \$33,629,547 | \$34,611,420 | \$35,467,057 | \$36,191,621 | \$41,808,169 |
| Other Financing Uses: | | | | | | |
| All Other Financing Uses | | \$ 5,500,000 | | | 3,997 | |
| Total Other Financing Uses | | 5,500,000 | 2,826 | 32,500 | 82,409 | 30,000 |
| Total Expenditures and Other Financing Uses | \$37,582,347 | \$39,129,547 | \$34,614,246 | \$35,499,557 | \$36,274,030 | \$41,838,169 |
| Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses | \$(5,441,629) | \$(5,911,599) | \$(1,443,555) | \$2,266,478 | \$(3,298,714) | \$(4,945,276) |
| Cash Balance July 1 – Excl Proposed Renewal/ Replacement and New Levies | \$32,400,757 | \$26,959,132 | \$21,047,533 | \$19,603,978 | \$21,870,456 | \$18,571,742 |
| Cash Balance June 30 | \$26,959,128 | \$21,047,533 | \$19,603,978 | \$21,870,456 | \$18,571,742 | \$13,626,466 |

(a) The School District's Operating Funds include its General Fund, Disadvantaged Pupil Impact Fund/Poverty Based Assistance Fund and Restricted Grants-in-Aid – SFSF Fund.

(b) Public Utility Tangible Personal Property.

(c) Projected

**Financial Report (Cash Basis All-Funds Summary) for
Fiscal Year 2018**

| DESCRIPTION | BEGINNING BALANCE | RECEIPTS | EXPENDITURES | ENDING BALANCE |
|-----------------------|------------------------|------------------------|------------------------|------------------------|
| General Fund | \$19,603,972.48 | \$37,766,035.33 | \$35,499,553.89 | \$21,870,453.92 |
| Bond Retirement | 2,349,987.31 | 4,427,281.55 | 3,644,623.60 | 3,132,645.26 |
| Lunchroom | 241,182.67 | 671,145.16 | 659,058.74 | 253,269.09 |
| Trust & Agency | 9,849.85 | 8,894.54 | 0.00 | 18,744.39 |
| Public School Support | 19,263.80 | 16,519.11 | 17,775.29 | 18,007.62 |
| District Agency | 0.00 | 11,109.00 | 11,109.00 | 0.00 |
| Student Activity | 58,407.71 | 158,696.79 | 160,899.21 | 56,205.29 |
| Athletic Activity | 257,889.59 | 502,909.36 | 412,338.16 | 348,460.79 |
| Auxiliary Services | 403,274.63 | 706,701.96 | 817,172.60 | 292,803.99 |
| One Net Connectivity | 0.00 | 7,200.00 | 7,200.00 | 0.00 |
| Title VI-B IDEA | 5,346.62 | 567,117.88 | 540,978.13 | 31,486.37 |
| Title I | 8,914.95 | 161,534.06 | 170,449.01 | 0.00 |
| Title VI-B ECSE | 0.00 | 3,827.56 | 3,827.56 | 0.00 |
| Title II-A | 3,477.92 | 52,574.58 | 47,747.50 | 8,305.00 |
| Title IV-A | 0.00 | 1,234.00 | 1,100.00 | 134.00 |
| Total | \$22,961,567.53 | \$45,062,780.88 | \$41,993,832.69 | \$26,030,515.72 |

**Financial Report (Cash Basis All-Funds Summary) for
Fiscal Year 2019**

| DESCRIPTION | BEGINNING BALANCE | RECEIPTS | EXPENDITURES | ENDING BALANCE |
|-----------------------------|------------------------|----------------------|----------------------|----------------------|
| General Fund | \$21,870,453.92 | \$32,975,314.50 | \$36,274,027.58 | \$18,571,740.84 |
| Bond Retirement | 3,132,645.26 | 2,457,576.25 | 3,721,513.10 | 1,868,708.41 |
| Lunchroom | 253,269.09 | 620,552.42 | 689,882.58 | 183,938.93 |
| Trust & Agency | 18,744.39 | 1,530.47 | 0.00 | 20,274.86 |
| Public School Support | 18,007.62 | 14,702.12 | 5,489.83 | 27,219.91 |
| District Agency | 0.00 | 18,476.00 | 18,476.00 | 0.00 |
| Termination Benefits | 0.00 | 150,000.00 | 127,152.89 | 22,847.11 |
| Student Activity | 56,205.29 | 183,328.49 | 172,632.10 | 66,901.68 |
| Athletic Activity | 348,460.79 | 571,027.76 | 439,992.88 | 479,495.67 |
| Auxiliary Services | 292,803.99 | 685,255.07 | 752,576.03 | 225,483.03 |
| One Net Connectivity | 0.00 | 7,200.00 | 7,200.00 | 0.00 |
| State Safety Grant | 0.00 | 11,170.05 | 11,170.05 | 0.00 |
| Title VI-B IDEA | 31,486.37 | 533,044.65 | 525,807.60 | 38,723.42 |
| Limited English Proficiency | 0.00 | 5,814.68 | 2,048.88 | 3,765.80 |
| Title I | 0.00 | 144,577.54 | 140,460.85 | 4,116.69 |
| Title VI-B ECSE | 0.00 | 4,573.76 | 3,487.13 | 1,086.63 |
| Title II-A | 8,305.00 | 50,480.55 | 56,285.55 | 2,500.00 |
| Title IV-A | 134.00 | 7,638.27 | 4,911.51 | 2,860.76 |
| Total | \$26,030,515.72 | 38,442,262.58 | 42,953,114.56 | 21,519,663.74 |