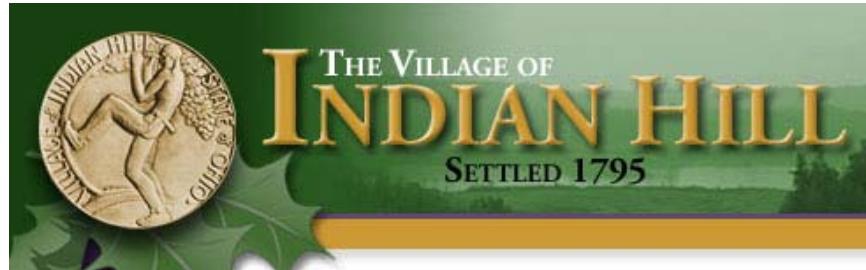


## CITY OF THE VILLAGE OF INDIAN HILL



### BASIC FINANCIAL STATEMENTS December 31, 2010

*Prepared By:*

Nadine Weber  
Finance Director

**PLATTENBURG**  
Certified Public Accountants





# Dave Yost • Auditor of State

City Council  
City of the Village of Indian Hill  
6525 Drake Road  
Cincinnati, Ohio 45243

We have reviewed the *Independent Auditor's Report* of the City of the Village of Indian Hill, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

June 9, 2011

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# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***CITY OF THE VILLAGE OF INDIAN HILL, OHIO***

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council  
and City Manager  
City of the Village of Indian Hill, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparisons for the General Fund, Street Construction, Maintenance and Repair Fund, Income Tax Fund and Rowe Arboretum Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
May 27, 2011

# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2010***

***Unaudited***

---

The discussion and analysis of the City of the Village of Indian Hill's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2010 are as follows:

- In total, net assets increased \$4,307,852. Net assets of governmental activities increased \$3,305,373, which represents a 3% increase from 2009. Net assets of business-type activities increased \$1,002,479 from 2009.
- General revenues accounted for \$12,238,407 in revenue or 59% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$8,503,304 or 41% of total revenues of \$20,741,711.
- The City had \$12,161,371 in expenses related to governmental activities; only \$3,267,409 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily shared revenues and income taxes) of \$12,199,335 were adequate to provide for these programs.
- Among major funds, the general fund had \$10,091,680 in revenues and other financing sources and \$10,007,031 in expenditures and other financing uses. The general fund's fund balance decreased \$51,604 to \$2,080,122 for 2010. As a whole, all governmental funds increased by \$63,357.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

---

## ***Management's Discussion and Analysis For the Year Ended December 31, 2010***

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***Unaudited***

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### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City are divided into two categories:

- ***Governmental Activities*** – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's waterworks fund is reported as a business activity.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

***Governmental Funds*** – Most of the City'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 statements provide a detailed short-term view of the City'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 the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

**Unaudited**

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets.

## **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison of the City's net assets between December 31, 2010 and 2009.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$20,592,034	\$19,892,060	\$4,610,542	\$7,243,554	\$25,202,576	\$27,135,614
Capital assets, Net	99,265,261	96,942,995	13,905,803	10,389,112	113,171,064	107,332,107
Total assets	119,857,295	116,835,055	18,516,345	17,632,666	138,373,640	134,467,721
Long-term debt outstanding	4,935,338	5,510,798	4,203,789	4,428,789	9,139,127	9,939,587
Other liabilities	1,871,099	1,578,772	939,932	833,732	2,811,031	2,412,504
Total liabilities	6,806,437	7,089,570	5,143,721	5,262,521	11,950,158	12,352,091
Net assets						
Invested in capital assets, net of related debt	95,849,061	92,905,925	9,887,003	9,671,224	105,736,064	102,577,149
Restricted	5,290,387	5,555,027	0	0	5,290,387	5,555,027
Unrestricted	11,911,410	11,284,533	3,485,621	2,698,921	15,397,031	13,983,454
Total net assets	<u><u>\$113,050,858</u></u>	<u><u>\$109,745,485</u></u>	<u><u>\$13,372,624</u></u>	<u><u>\$12,370,145</u></u>	<u><u>\$126,423,482</u></u>	<u><u>\$122,115,630</u></u>

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# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal years 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$412,714	\$372,779	\$4,992,686	\$4,287,494	\$5,405,400	\$4,660,273
Operating Grants and Contributions	304,571	294,057	0	0	304,571	294,057
Capital Grants and Contributions	2,550,124	213,577	243,209	0	2,793,333	213,577
Total Program Revenues	<u>3,267,409</u>	<u>880,413</u>	<u>5,235,895</u>	<u>4,287,494</u>	<u>8,503,304</u>	<u>5,167,907</u>
General Revenues:						
Municipal Income Taxes	5,852,677	4,936,496	0	0	5,852,677	4,936,496
Property Taxes	840,138	831,408	0	0	840,138	831,408
Shared Revenues	4,689,346	3,122,371	0	0	4,689,346	3,122,371
Investment Earnings	609,376	747,282	39,072	48,667	648,448	795,949
Miscellaneous	207,798	245,633	0	0	207,798	245,633
Total General Revenues	<u>12,199,335</u>	<u>9,883,190</u>	<u>39,072</u>	<u>48,667</u>	<u>12,238,407</u>	<u>9,931,857</u>
Total Revenues	<u>15,466,744</u>	<u>10,763,603</u>	<u>5,274,967</u>	<u>4,336,161</u>	<u>20,741,711</u>	<u>15,099,764</u>
Program Expenses						
Security of Persons and Property	4,773,732	4,690,095	0	0	4,773,732	4,690,095
Public Health and Welfare Services	141,066	159,453	0	0	141,066	159,453
Leisure Time Activities	1,304,559	1,421,540	0	0	1,304,559	1,421,540
Community Environment	1,658,282	1,417,378	0	0	1,658,282	1,417,378
Transportation	2,049,143	2,119,011	0	0	2,049,143	2,119,011
General Government	2,138,214	2,413,111	0	0	2,138,214	2,413,111
Interest and Fiscal Charges	96,375	112,058	0	0	96,375	112,058
Waterworks Fund	0	0	4,272,488	4,338,119	4,272,488	4,338,119
Total Expenses	<u>12,161,371</u>	<u>12,332,646</u>	<u>4,272,488</u>	<u>4,338,119</u>	<u>16,433,859</u>	<u>16,670,765</u>
Change in Net Assets before transfers	<u>3,305,373</u>	<u>(1,569,043)</u>	<u>1,002,479</u>	<u>(1,958)</u>	<u>4,307,852</u>	<u>(1,571,001)</u>
Transfers	0	(270,126)	0	270,126	0	0
Total Change in Net Assets	<u>3,305,373</u>	<u>(1,839,169)</u>	<u>1,002,479</u>	<u>268,168</u>	<u>4,307,852</u>	<u>(1,571,001)</u>
Beginning Net Assets	<u>109,745,485</u>	<u>111,584,654</u>	<u>12,370,145</u>	<u>12,101,977</u>	<u>122,115,630</u>	<u>123,686,631</u>
Ending Net Assets	<u>\$113,050,858</u>	<u>\$109,745,485</u>	<u>\$13,372,624</u>	<u>\$12,370,145</u>	<u>\$126,423,482</u>	<u>\$122,115,630</u>

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# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2010***

***Unaudited***

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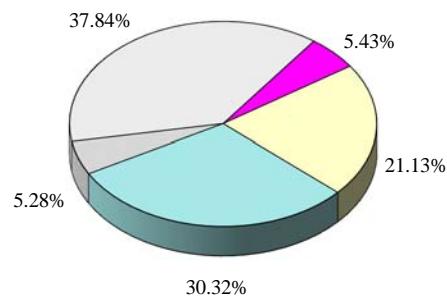
### ***Governmental Activities***

Net assets of the City's governmental activities increased by \$3,305,373. This increase was primarily a result of increases in municipal income tax revenue, estate tax revenue and donated capital assets (green area land and roads).

The City receives an income tax, which is based on 0.4% of the residents Ohio Adjusted income.

Municipal Income Taxes accounted for 37.84% of revenues for governmental activities for the City in fiscal year 2010. This was an increase of \$916,181 from 2009.

Revenue Sources	2010	Percent of Total
Municipal Income Taxes	\$5,852,677	37.84%
Property Taxes	840,138	5.43%
Program Revenues	3,267,409	21.13%
Shared Revenues	4,689,346	30.32%
General Other	817,174	5.28%
Total Revenue	<u><u>\$15,466,744</u></u>	<u><u>100.00%</u></u>



### ***Business-Type Activities***

Net assets of the business-type activities increased by \$1,002,479. This positive change in net assets was due to an increase in contributed capital from a new subdivision water main and an increase in water revenues due to drought weather conditions.

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# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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## **Management's Discussion and Analysis For the Year Ended December 31, 2010**

**Unaudited**

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### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$13,231,799, which is an increase of \$63,357 from last year's balance of \$13,168,442. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General	\$2,080,122	\$2,131,726	(\$51,604)
Street Construction, Maintenance and Repair	(100,697)	(50,466)	(50,231)
Income Tax	5,649,932	5,228,051	421,881
Rowe Arboretum	2,066,885	1,857,899	208,986
Capital Improvement Reserve Capital Projects	1,858,934	2,271,924	(412,990)
Other Governmental	<u>1,676,623</u>	<u>1,729,308</u>	<u>(52,685)</u>
Total	<u><u>\$13,231,799</u></u>	<u><u>\$13,168,442</u></u>	<u><u>\$63,357</u></u>

*General Fund* – The City's General Fund balance decrease is the result of normal General Fund operations. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2010 Revenues	2009 Revenues	Increase (Decrease)
Property and Other Taxes	\$835,064	\$833,891	\$1,173
Intergovernmental Revenues	4,688,492	3,128,314	1,560,178
Charges for Services	416,649	397,634	19,015
Licenses and Permits	400	3,000	(2,600)
Investment Earnings	126,806	130,462	(3,656)
Fines and Forfeitures	33,908	36,441	(2,533)
All Other Revenue	<u>131,254</u>	<u>150,376</u>	<u>(19,122)</u>
Total	<u><u>\$6,232,573</u></u>	<u><u>\$4,680,118</u></u>	<u><u>\$1,552,455</u></u>

General Fund revenues in 2010 increased approximately 33% compared to revenues in fiscal year 2009. The most significant factor contributing to this was an increase in estate tax revenue of \$977,208, which is recorded as intergovernmental revenue.

## **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

---

***Management's Discussion and Analysis  
For the Year Ended December 31, 2010***

***Unaudited***

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Security of Persons and Property	\$4,694,433	\$4,528,437	\$165,996
Public Health and Welfare Services	142,402	153,686	(11,284)
Leisure Time Activities	946,658	972,958	(26,300)
Community Environment	1,422,459	1,356,722	65,737
General Government	<u>1,603,616</u>	<u>1,702,253</u>	<u>(98,637)</u>
Total	<u><u>\$8,809,568</u></u>	<u><u>\$8,714,056</u></u>	<u><u>\$95,512</u></u>

General Fund expenditures increased slightly compared to the prior year. The decrease in general government expenditures was offset by increases in community environment and security of persons increases.

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

During the course of fiscal year 2010 the City amended its General Fund budget several times.

For the General Fund, the final budget basis revenue of \$11,975,542 did not change compared to original budget estimates.

For the Street Construction, Maintenance and Repair, Income Tax and Rowe Arboretum Funds, the final budget basis revenues did not change compared to original budget estimates.

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# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2010***

***Unaudited***

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### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2010 the City had \$113,171,064 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$99,265,261 was related to governmental activities and \$13,905,803 to business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$80,509,769	\$78,416,249	\$2,093,520
Construction In Progress	38,627	4,587,040	(4,548,413)
Buildings	11,174,243	6,842,603	4,331,640
Land Improvements	2,951,749	2,726,602	225,147
Infrastructure	10,781,443	10,346,143	435,300
Machinery and Equipment	4,555,072	4,089,775	465,297
Less: Accumulated Depreciation	(10,745,642)	(10,065,417)	(680,225)
Totals	<u>\$99,265,261</u>	<u>\$96,942,995</u>	<u>\$2,322,266</u>

	Business-Type Activities		Increase (Decrease)
	2010	2009	
Land	\$84,087	\$84,087	\$0
Construction in Progress	0	88,392	(88,392)
Buildings	4,911,362	4,911,362	0
Land Improvements	13,734,404	10,642,123	3,092,281
Machinery and Equipment	2,069,534	2,143,205	(73,671)
Less: Accumulated Depreciation	(6,893,584)	(7,480,057)	586,473
Totals	<u>\$13,905,803</u>	<u>\$10,389,112</u>	<u>\$3,516,691</u>

The primary increase occurred in land and buildings under Governmental Activities. The increase in land was due to donations to green areas and the land under the donated roadways. The buildings increase (and construction in progress decrease) was due to the completion of the expansion and remodeling of the Ranger/Administration building.

As of December 31, 2010, the City did not have any significant contractual commitments related to construction of capital assets. Additional information on the City's capital assets can be found in Note 7.

# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2010***

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***Unaudited***

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### ***Debt***

At December 31, 2010, the City had \$7,435,000 in general obligation bonds outstanding, \$870,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Governmental Activities:		
General Obligation Bonds	\$3,416,200	\$4,037,070
Compensated Absences	<u>1,519,138</u>	<u>1,473,728</u>
Total Governmental Activities	<u><u>\$4,935,338</u></u>	<u><u>\$5,510,798</u></u>
Business-Type Activities:		
General Obligation Bonds	\$4,018,800	\$4,247,930
Compensated Absences	<u>184,989</u>	<u>180,859</u>
Total Business-Type Activities	<u><u>4,203,789</u></u>	<u><u>4,428,789</u></u>
Totals	<u><u><u>\$9,139,127</u></u></u>	<u><u><u>\$9,939,587</u></u></u>

Additional information on the City's long-term debt can be found in Note 10.

### **ECONOMIC FACTORS**

The City of the Village of Indian Hill is located in Hamilton County in the southwest section of Ohio and approximately 10 miles northeast of Cincinnati. The City is exclusively residential with an estimated population in 2010 of 5,785. Commercial properties are restricted to entities such as churches and schools. The city is a rural area covering nearly 20 square miles with more than 3,000 acres set aside in green space.

The city's municipal income tax rate remained at 0.4% for 2010 for collections in 2011 for the fifth consecutive year.

The city maintains a strong general fund reserve balance of 20% of general fund expenditures and retains revenue flexibility as it is taxing well below its maximum income tax rate. For the fiscal year ending December 31, 2010 the general fund balance remained relatively flat compared to 2009 at approximately \$1.9 million. The 2011 budget projects the general fund surplus to remain at its current level, but forecasts a reduction in the income tax fund reserves of approximately \$2 million.

No new debt was issued by the city in 2010, and currently there is no plan to issue any additional debt. The revenue from the last issued debt in 2009 was used in 2010 to complete the Ranger/Administration building expansion and remodeling and install new water mains on Graves, Shawnee Run Rd, Drake Rd, Summerhouse Rd, Pamlico Lane, Sanderson Place and DeMar Rd.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Nadine Weber, Finance Director of the City of The Village of Indian Hill.

***CITY OF THE VILLAGE OF INDIAN HILL, OHIO***

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## **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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### **Statement of Net Assets** **December 31, 2010**

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 13,079,902	\$ 3,393,827	\$ 16,473,729
Receivables:			
Taxes	6,345,246	0	6,345,246
Accounts	8,797	1,107,945	1,116,742
Intergovernmental	1,023,079	0	1,023,079
Internal Balances	(765)	765	0
Inventory of Supplies at Cost	78,456	95,216	173,672
Prepaid Items	57,319	12,789	70,108
Nondepreciable Capital Assets	80,548,396	84,087	80,632,483
Depreciable Capital Assets, Net	<u>18,716,865</u>	<u>13,821,716</u>	<u>32,538,581</u>
<b>Total Assets</b>	<u>119,857,295</u>	<u>18,516,345</u>	<u>138,373,640</u>
<b>Liabilities:</b>			
Accounts Payable	45,175	13,217	58,392
Accrued Wages and Benefits Payable	234,144	28,004	262,148
Intergovernmental Payable	315,873	847,874	1,163,747
Claims Payable	439,530	39,957	479,487
Deferred Revenue	828,158	0	828,158
Accrued Interest Payable	8,219	10,880	19,099
Noncurrent liabilities:			
Due within one year	969,238	288,495	1,257,733
Due in more than one year	<u>3,966,100</u>	<u>3,915,294</u>	<u>7,881,394</u>
<b>Total Liabilities</b>	<u>6,806,437</u>	<u>5,143,721</u>	<u>11,950,158</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	95,849,061	9,887,003	105,736,064
Restricted For:			
Capital Projects	1,860,014	0	1,860,014
Other Purposes	2,350,613	0	2,350,613
Permanent Funds:			
Expendable	3,385	0	3,385
Nonexpendable	1,076,375	0	1,076,375
Unrestricted	<u>11,911,410</u>	<u>3,485,621</u>	<u>15,397,031</u>
<b>Total Net Assets</b>	<u>\$ 113,050,858</u>	<u>\$ 13,372,624</u>	<u>\$ 126,423,482</u>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Activities  
For the Year Ended December 31, 2010***

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	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 4,773,732	\$ 191,146	\$ 0	\$ 2,100
Public Health and Welfare	141,066	0	0	0
Leisure Time Activities	1,304,559	127,104	0	1,342,524
Community Environment	1,658,282	89,494	0	0
Transportation	2,049,143	0	304,571	1,205,500
General Government	2,138,214	4,970	0	0
Interest and Fiscal Charges	96,375	0	0	0
<b>Total Governmental Activities</b>	<b>12,161,371</b>	<b>412,714</b>	<b>304,571</b>	<b>2,550,124</b>
<b>Business-Type Activities:</b>				
Water	4,272,488	4,992,686	0	243,209
<b>Total Business-Type Activities</b>	<b>4,272,488</b>	<b>4,992,686</b>	<b>0</b>	<b>243,209</b>
<b>Totals</b>	<b>\$ 16,433,859</b>	<b>\$ 5,405,400</b>	<b>\$ 304,571</b>	<b>\$ 2,793,333</b>

**General Revenues:**

Municipal Income Taxes

Property Taxes

Shared Revenues

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (4,580,486)	\$ 0	\$ (4,580,486)
(141,066)	0	(141,066)
165,069	0	165,069
(1,568,788)	0	(1,568,788)
(539,072)	0	(539,072)
(2,133,244)	0	(2,133,244)
(96,375)	0	(96,375)
<hr/>	<hr/>	<hr/>
(8,893,962)	0	(8,893,962)
<hr/>	<hr/>	<hr/>
0	963,407	963,407
0	963,407	963,407
<hr/>	<hr/>	<hr/>
(8,893,962)	963,407	(7,930,555)
<hr/>	<hr/>	<hr/>
5,852,677	0	5,852,677
840,138	0	840,138
4,689,346	0	4,689,346
609,376	39,072	648,448
207,798	0	207,798
<hr/>	<hr/>	<hr/>
12,199,335	39,072	12,238,407
<hr/>	<hr/>	<hr/>
3,305,373	1,002,479	4,307,852
<hr/>	<hr/>	<hr/>
109,745,485	12,370,145	122,115,630
<hr/>	<hr/>	<hr/>
<u>\$ 113,050,858</u>	<u>\$ 13,372,624</u>	<u>\$ 126,423,482</u>

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

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	General	Street Construction, Maintenance and Repair	Income Tax	Rowe Arboretum
<b>Assets:</b>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,955,661	\$ 0	\$ 5,433,182	\$ 2,076,938
Receivables:				
Taxes	863,287	0	5,481,959	0
Accounts	8,797	0	0	0
Intergovernmental	870,643	141,003	0	0
Inventory of Supplies, at Cost	78,397	59	0	0
Prepaid Items	45,186	11,003	0	1,130
<b>Total Assets</b>	<b>\$ 3,821,971</b>	<b>\$ 152,065</b>	<b>\$ 10,915,141</b>	<b>\$ 2,078,068</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 31,539	\$ 7,459	\$ 3,631	\$ 412
Accrued Wages and Benefits Payable	189,063	40,734	1,893	2,454
Intergovernmental Payable	208,831	23,993	1,151	1,657
Claims Payable	346,296	86,574	0	6,660
Due to Other Funds	765	0	0	0
Deferred Revenue	946,635	94,002	5,258,534	0
Compensated Absences Payable	18,720	0	0	0
<b>Total Liabilities</b>	<b>1,741,849</b>	<b>252,762</b>	<b>5,265,209</b>	<b>11,183</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	0	0	53	0
Reserved for Prepaid Items	45,186	11,003	0	1,130
Reserved for Supplies Inventory	78,397	59	0	0
Reserved for Endowments	0	0	0	0
Undesignated and Unreserved in:				
General Fund	1,956,539	0	0	0
Special Revenue Funds	0	(111,759)	5,649,879	2,065,755
Capital Projects Funds	0	0	0	0
Permanent Fund	0	0	0	0
<b>Total Fund Balances</b>	<b>2,080,122</b>	<b>(100,697)</b>	<b>5,649,932</b>	<b>2,066,885</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,821,971</b>	<b>\$ 152,065</b>	<b>\$ 10,915,141</b>	<b>\$ 2,078,068</b>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
\$ 1,941,309	\$ 1,672,812	\$ 13,079,902
0	0	6,345,246
0	0	8,797
0	11,433	1,023,079
0	0	78,456
0	0	<u>57,319</u>
<u>\$ 1,941,309</u>	<u>\$ 1,684,245</u>	<u>\$ 20,592,799</u>
\$ 2,134	\$ 0	\$ 45,175
0	0	234,144
80,241	0	315,873
0	0	439,530
0	0	765
0	7,622	6,306,793
0	0	<u>18,720</u>
<u>82,375</u>	<u>7,622</u>	<u>7,361,000</u>
0	0	53
0	0	57,319
0	0	78,456
0	1,076,375	1,076,375
0	0	1,956,539
0	595,783	8,199,658
1,858,934	1,080	1,860,014
0	3,385	<u>3,385</u>
<u>1,858,934</u>	<u>1,676,623</u>	<u>13,231,799</u>
<u>\$ 1,941,309</u>	<u>\$ 1,684,245</u>	<u>\$ 20,592,799</u>

## **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2010***

<b>Total Governmental Fund Balances</b>	\$ 13,231,799
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	99,265,261
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	5,478,635
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 Bond Payable	(3,416,200)
Compensated Absences Payable	(1,500,418)
Accrued Interest Payable	<u>(8,219)</u>
	<u>(4,924,837)</u>
<i>Net Assets of Governmental Funds</i>	\$ 113,050,858

See accompanying notes to the basic financial statements

***CITY OF THE VILLAGE OF INDIAN HILL, OHIO***

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**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010**

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	General	Street Construction, Maintenance and Repair	Income Tax	Rowe Arboretum
<b>Revenues:</b>				
Municipal Income Tax	\$ 0	\$ 0	\$ 5,504,178	\$ 0
Property and Other Taxes	835,064	0	0	0
Intergovernmental Revenues	4,688,492	279,946	0	0
Charges for Services	416,649	0	0	3,534
Licenses, Permits and Fees	400	0	0	0
Investment Earnings	126,806	0	0	323,130
Fines and Forfeitures	33,908	0	0	0
All Other Revenue	131,254	0	0	7,164
<b>Total Revenue</b>	<b>6,232,573</b>	<b>279,946</b>	<b>5,504,178</b>	<b>333,828</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,694,433	0	0	0
Public Health and Welfare Services	142,402	0	0	0
Leisure Time Activities	946,658	0	0	139,542
Community Environment	1,422,459	0	0	0
Transportation	0	1,512,804	0	0
General Government	1,603,616	0	223,190	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<b>Total Expenditures</b>	<b>8,809,568</b>	<b>1,512,804</b>	<b>223,190</b>	<b>139,542</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,576,995)	(1,232,858)	5,280,988	194,286
<b>Other Financing Sources (Uses):</b>				
Transfers In	3,859,107	1,182,763	0	14,700
Transfers Out	(1,197,463)	0	(4,859,107)	0
<b>Total Other Financing Sources (Uses)</b>	<b>2,661,644</b>	<b>1,182,763</b>	<b>(4,859,107)</b>	<b>14,700</b>
Net Change in Fund Balances	84,649	(50,095)	421,881	208,986
<b>Fund Balances at Beginning of Year</b>	<b>2,131,726</b>	<b>(50,466)</b>	<b>5,228,051</b>	<b>1,857,899</b>
Decrease in Inventory Reserve	(136,253)	(136)	0	0
<b>Fund Balances End of Year</b>	<b>\$ 2,080,122</b>	<b>\$ (100,697)</b>	<b>\$ 5,649,932</b>	<b>\$ 2,066,885</b>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 5,504,178
0	0	835,064
0	22,698	4,991,136
0	15	420,198
0	0	400
0	159,440	609,376
0	15,395	49,303
0	12,193	150,611
0	209,741	12,560,266
0	1,166	4,695,599
0	0	142,402
0	23,902	1,110,102
0	0	1,422,459
0	3,820	1,516,624
158,344	0	1,985,150
536,046	233,538	769,584
620,870	0	620,870
97,730	0	97,730
1,412,990	262,426	12,360,520
(1,412,990)	(52,685)	199,746
1,000,000	0	6,056,570
0	0	(6,056,570)
1,000,000	0	0
(412,990)	(52,685)	199,746
2,271,924	1,729,308	13,168,442
0	0	(136,389)
\$ 1,858,934	\$ 1,676,623	\$ 13,231,799

## **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***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 December 31, 2010***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 199,746
---------------------------------------------------------------	------------

*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. This is the amount by which capital outlays and capital contributions exceeded depreciation.

2,415,407

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received.

(93,141)

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

356,354

The repayment of principal of long-term debt consumes current financial resources of governmental funds, however it does not have any effect on net assets.

620,870

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

1,355

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

(195,218)

***Change in Net Assets of Governmental Activities***

\$ 3,305,373

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2010***

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property and Other Taxes	\$ 816,099	\$ 816,099	\$ 835,064	\$ 18,965
Intergovernmental Revenue	2,481,141	2,481,141	4,188,311	1,707,170
Charges for Services	368,302	368,302	437,585	69,283
Licenses and Permits	1,500	1,500	400	(1,100)
Investment Earnings	250,000	250,000	121,967	(128,033)
Fines and Forfeitures	25,000	25,000	33,908	8,908
All Other Revenues	<u>28,500</u>	<u>28,500</u>	<u>71,672</u>	<u>43,172</u>
Total Revenues	<u>3,970,542</u>	<u>3,970,542</u>	<u>5,688,907</u>	<u>1,718,365</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,630,786	4,630,786	4,513,238	117,548
Public Health and Welfare	158,030	143,030	137,103	5,927
Leisure Time Activities	1,018,310	1,018,310	886,752	131,558
Community Environment	1,457,806	1,477,806	1,329,028	148,778
General Government	<u>1,639,397</u>	<u>1,701,617</u>	<u>1,583,215</u>	<u>118,402</u>
Total Expenditures	<u>8,904,329</u>	<u>8,971,549</u>	<u>8,449,336</u>	<u>522,213</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,933,787)	(5,001,007)	(2,760,429)	2,240,578
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	5,000	5,000	55,536	50,536
Transfers In	8,000,000	8,000,000	3,859,107	(4,140,893)
Transfers Out	<u>(3,364,974)</u>	<u>(3,299,974)</u>	<u>(1,204,355)</u>	<u>2,095,619</u>
Total Other Financing Sources (Uses):	<u>4,640,026</u>	<u>4,705,026</u>	<u>2,710,288</u>	<u>(1,994,738)</u>
Net Change in Fund Balance	(293,761)	(295,981)	(50,141)	245,840
Fund Balance at Beginning of Year	1,978,219	1,978,219	1,978,219	0
Prior Year Encumbrances	2,661	2,661	2,661	0
Fund Balance at End of Year	<u>\$ 1,687,119</u>	<u>\$ 1,684,899</u>	<u>\$ 1,930,739</u>	<u>\$ 245,840</u>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2010***

---

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenue	\$ 273,000	\$ 273,000	\$ 279,054	\$ 6,054
Total Revenues	<u>273,000</u>	<u>273,000</u>	<u>279,054</u>	<u>6,054</u>
<b>Expenditures:</b>				
Current:				
Transportation	1,572,484	1,572,484	1,461,817	110,667
Total Expenditures	<u>1,572,484</u>	<u>1,572,484</u>	<u>1,461,817</u>	<u>110,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,299,484)	(1,299,484)	(1,182,763)	116,721
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,299,484	1,299,484	1,182,763	(116,721)
Total Other Financing Sources (Uses):	<u>1,299,484</u>	<u>1,299,484</u>	<u>1,182,763</u>	<u>(116,721)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Income Tax Fund  
For the Year Ended December 31, 2010***

---

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal Income Tax	\$ 5,334,070	\$ 5,334,070	\$ 5,453,773	\$ 119,703
Total Revenues	<u>5,334,070</u>	<u>5,334,070</u>	<u>5,453,773</u>	<u>119,703</u>
<b>Expenditures:</b>				
Current:				
General Government	203,392	224,940	221,299	3,641
Total Expenditures	<u>203,392</u>	<u>224,940</u>	<u>221,299</u>	<u>3,641</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,130,678	5,109,130	5,232,474	123,344
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(8,000,000)	(7,980,000)	(4,859,107)	3,120,893
Total Other Financing Sources (Uses):	<u>(8,000,000)</u>	<u>(7,980,000)</u>	<u>(4,859,107)</u>	<u>3,120,893</u>
Net Change in Fund Balance	(2,869,322)	(2,870,870)	373,367	3,244,237
Fund Balance at Beginning of Year	5,057,897	5,057,897	5,057,897	0
Prior Year Encumbrances	1,668	1,668	1,668	0
Fund Balance at End of Year	<u>\$ 2,190,243</u>	<u>\$ 2,188,695</u>	<u>\$ 5,432,932</u>	<u>\$ 3,244,237</u>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Rowe Arboretum Fund  
For the Year Ended December 31, 2010***

---

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for Services	\$ 4,000	\$ 4,000	\$ 3,534	\$ (466)
Investment Earnings	81,050	81,050	101,892	20,842
All Other Revenues	5,000	5,000	7,164	2,164
Total Revenues	<u>90,050</u>	<u>90,050</u>	<u>112,590</u>	<u>22,540</u>
<b>Expenditures:</b>				
Current:				
Leisure Time Activities	152,097	152,097	133,404	18,693
Total Expenditures	<u>152,097</u>	<u>152,097</u>	<u>133,404</u>	<u>18,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(62,047)	(62,047)	(20,814)	41,233
<b>Other Financing Sources (Uses):</b>				
Transfers In	55,740	55,740	14,700	(41,040)
Total Other Financing Sources (Uses):	<u>55,740</u>	<u>55,740</u>	<u>14,700</u>	<u>(41,040)</u>
Net Change in Fund Balance	(6,307)	(6,307)	(6,114)	193
Fund Balance at Beginning of Year	1,716,027	1,716,027	1,716,027	0
Fund Balance at End of Year	<u>\$ 1,709,720</u>	<u>\$ 1,709,720</u>	<u>\$ 1,709,913</u>	<u>\$ 193</u>

See accompanying notes to the basic financial statements

## **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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**Statement of Net Assets  
Proprietary Funds  
December 31, 2010**

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	Business-Type Activities - <u>Waterworks</u>
<b>Assets:</b>	
Current assets:	
Equity in Pooled Cash, Cash Equivalents	\$ 3,393,827
and Investments	1,107,945
Accounts receivable	765
Due from Other Funds	95,216
Inventory of Supplies at Cost	12,789
Prepaid Items	<u>4,610,542</u>
Total current assets	<u>4,610,542</u>
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	84,087
Depreciable Capital Assets, Net	13,821,716
Total noncurrent assets	<u>13,905,803</u>
Total assets	<u>18,516,345</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts Payable	13,217
Accrued Wages and Benefits Payable	28,004
Intergovernmental Payable	847,874
Claims Payable	39,957
Accrued Interest Payable	10,880
General Obligation Bonds Payable - Current	253,975
Compensated Absences - Current	34,520
Total Current Liabilities	<u>1,228,427</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable	3,764,825
Compensated Absences Payable	<u>150,469</u>
Total noncurrent liabilities	<u>3,915,294</u>
<b>Total Liabilities</b>	<u>5,143,721</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	9,887,003
Unrestricted	<u>3,485,621</u>
Total Net Assets	<u>\$ 13,372,624</u>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2010**

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	Business-Type Activities - Waterworks
<b>Operating Revenues:</b>	
Charges for Services	\$ 4,897,808
Other Operating Revenues	61,445
<b>Total Operating Revenues</b>	<u>4,959,253</u>
<b>Operating Expenses:</b>	
Personal Services	939,440
Contractual Services	2,220,285
Materials and Supplies	311,626
Utilities	279,908
Depreciation	363,707
<b>Total Operating Expenses</b>	<u>4,114,966</u>
<b>Operating Income (Loss)</b>	844,287
<b>Non-Operating Revenue (Expenses):</b>	
Other Non-Operating Revenue	33,433
Loss on Disposal of Capital Assets	(4,454)
Interest and Fiscal Charges	(153,068)
Investment Earnings	39,072
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(85,017)</u>
<b>Income (Loss) Before Transfers and Contributions</b>	759,270
Capital Contributions	<u>243,209</u>
<b>Change in Net Assets</b>	1,002,479
<b>Net Assets Beginning of Year</b>	<u>12,370,145</u>
<b>Net Assets End of Year</b>	<u>\$ 13,372,624</u>

See accompanying notes to the basic financial statements

# **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2010***

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	Business-Type Activities <u>Waterworks</u>
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$4,695,155
Other Operating Cash Receipts	59,000
Cash Payments for Goods and Services	(2,699,001)
Cash Payments to Employees	(892,848)
Net Cash Provided by Operating Activities	<u>1,162,306</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Acquisition and Construction of Assets	(3,641,643)
Principal Paid on General Obligation Bond	(229,130)
Interest Paid on All Debt	(153,554)
Net Cash Used for Capital and Related Financing Activities	<u>(4,024,327)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Receipts of Interest	<u>39,072</u>
Net Cash Provided by Investing Activities	<u>39,072</u>
Net Decrease in Cash and Cash Equivalents	(2,822,949)
Cash and Cash Equivalents at Beginning of Year	6,216,776
Cash and Cash Equivalents at End of Year	<u>\$3,393,827</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating Income	\$844,287
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	363,707
Miscellaneous Nonoperating Revenues	33,433
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(205,148)
Decrease in Due from Other Funds	50
Decrease in Inventory	12,254
Decrease in Prepaid Items	2,907
Decrease in Accounts Payable	(2,739)
Increase in Accrued Wages and Benefits	2,123
Increase in Intergovernmental Payable	67,345
Increase in Claims Payable	39,957
Increase in Compensated Absences Payable	4,130
Total Adjustments	<u>318,019</u>
Net Cash Provided by Operating Activities	<u>\$1,162,306</u>

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**Schedule of Noncash Investing, Capital and Financing Activities:**

During 2010 the Waterworks Fund received \$243,209 in capital assets contributed by other funds.

See accompanying notes to the basic financial statements

## **CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Net Assets***  
***Fiduciary Funds***  
***December 31, 2010***

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	Private Purpose		
	Trust Fund	Agency Funds	Totals
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 104,721	\$ 204,721
<b>Total Assets</b>	<u>100,000</u>	<u>104,721</u>	<u>204,721</u>
<b>Liabilities:</b>			
Intergovernmental Payable	0	91,310	91,310
Due to Others	0	13,411	13,411
<b>Total Liabilities</b>	<u>0</u>	<u>104,721</u>	<u>104,721</u>
<b>Net Assets:</b>			
Unrestricted	100,000	0	100,000
<b>Total Net Assets</b>	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>

See accompanying notes to the basic financial statements

**CITY OF THE VILLAGE OF INDIAN HILL, OHIO**

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***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Year Ended December 31, 2010***

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	Private Purpose Trust Fund
<b>Additions:</b>	
Contributions:	
Donations from City	\$ 6,892
Private Donations	108
Total Additions	<u>7,000</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>7,000</u>
Total Deductions	<u>7,000</u>
Change in Net Assets	0
Net Assets at Beginning of Year	<u>100,000</u>
Net Assets End of Year	<u>\$ 100,000</u>

See accompanying notes to the basic financial statements

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of the Village of Indian Hill, Ohio (the City), is a home-rule corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1941 and has subsequently been amended.

The financial statements are presented as of December 31, 2010 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

##### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*" and GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, street maintenance and repairs, building inspection, parks and recreation, wastewater, and other governmental services.

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

***Governmental Funds*** - Those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting (Continued)**

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio, and the limitations of the City Charter.

Street Construction, Maintenance and Repair Fund – This fund is used to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance and repair of designated streets within the City.

Income Tax Fund – This fund is used to account for the collections of the municipal income tax as required by City Ordinance.

Rowe Arboretum Fund – This fund is used to account for the financial resources to be used for the operation and maintenance of the Rowe Arboretum.

Capital Improvement Reserve Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

##### ***Proprietary Fund***

The proprietary fund is accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is the Waterworks Fund which accounts for the operation of the City's water service.

# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **B. Basis of Presentation - Fund Accounting (Continued)**

##### ***Fiduciary Funds***

**Agency Funds** - These funds are used to account for assets held by a government unit as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for employee insurance HRA/FSA monies and for special events.

**Private Purpose Trust Fund** – This fund is used to account for other trust arrangements which benefit individuals, private organizations or other governments.

#### **C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. 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 charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

## ***CITY OF THE VILLAGE OF INDIAN HILL OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting (Continued)**

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services and miscellaneous revenue, is recorded as revenue when received in cash because it is generally not measurable until actually received.

Property taxes measurable as of December 31, 2010 but which are not intended to finance 2010 operations and delinquent property taxes (recorded as revenue on full accrual basis), whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund and the private purpose trust fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds, as included in business-type activities and proprietary fund statements, and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

##### **E. Budgetary Process**

The annual budgetary process is prescribed by Charter and 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 ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only the general fund and major special revenue funds are required to be reported. The legal level of budgetary control is by fund at the major object level (personal services, materials and supplies, contractual services, capital outlay, and transfers) by department. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the major object level for each department within each fund without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets. Budgetary modifications above the major object level by fund may only be made by ordinance of the City Council. During 2010, all appropriations were approved as required and all funds and departments completed the year within their legally authorized appropriations.

###### **1. Tax Budget**

During the first council meeting in June, the City Manager submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

###### **2. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. By October 1st of each year, the City accepts, by resolution, the tax rate as determined by the Budget Commission. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or fall short of current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

###### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may only be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the object level. During the year, supplemental appropriations were necessary to budget contingency funds and intergovernmental grants. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Budgetary Basis") for the General Fund and Major Special Revenue Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

###### **4. 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 appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

###### **5. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Also under the budgetary basis, encumbrances are recognized as expenditures and note proceeds are recognized as another financing source. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Funds:

	Net Change in Fund Balances			
	General Fund	Street Construction, Maintenance and Repair Fund	Income Tax Fund	Rowe Arboretum Fund
GAAP Basis (as reported)	\$84,649	(\$50,095)	\$421,881	\$208,986
Increase (Decrease):				
Accrued Revenues at December 31, 2010 received during 2011	(796,092)	(47,001)	(223,425)	0
Accrued Revenues at December 31, 2009 received during 2010	312,801	46,109	173,020	0
Accrued Expenditures at December 31, 2010 paid during 2011	795,214	158,760	6,675	11,183
Accrued Expenditures at December 31, 2009 paid during 2010	(436,374)	(106,407)	(4,534)	(4,798)
2010 Mark to Market Adjustment	(24,922)	0	0	(367,025)
2009 Mark to Market Adjustment	20,083	0	0	145,787
2010 Prepays for 2011	(45,186)	(11,003)	0	(1,130)
2009 Prepays for 2010	39,686	9,637	0	883
Outstanding Encumbrances	0	0	(250)	0
Budget Basis	<u><u>(\$50,141)</u></u>	<u><u>\$0</u></u>	<u><u>\$373,367</u></u>	<u><u>(\$6,114)</u></u>

**F. Cash and Cash Equivalents**

During fiscal year 2010, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in cash and cash equivalents represents the balance on hand as if each had maintained its own cash and cash investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled cash and investments to be cash equivalents. See Note 3, "Equity in Pooled Cash, Cash Equivalents and Investments."

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the City Charter. In accordance with GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*”, the City reports its investments at fair value. The City allocates interest among the various funds based upon applicable legal and administrative requirements. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 3, “Equity in Pooled Cash, Cash Equivalents and Investments.”

The City invested funds in STAR Ohio, Fifth Third and the Vanguard Stock Market Index Funds during 2010. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Fifth Third funds are invested in US Government Securities, stocks and bonds. According to the City’s investment policy for the Rowe Arboretum Fund and the Green Areas Endowment Fund, permitted investments include stocks, corporate bonds, AA Mortgage securities, commercial paper rated A1/P1, mutual funds and restricted futures. All investments are valued at share market prices, which are the prices the investments could be sold for on December 31, 2010.

##### **H. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in governmental funds and when purchased and as expenses in the proprietary fund when used.

##### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **J. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life threshold of five or more years.

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

##### **2. Property, Plant and Equipment – Business Type Activities**

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

##### **3. Depreciation**

All capital assets are depreciated, excluding land and construction in progress. Depreciation on newly acquired/constructed streets begins in the year following acquisition. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	40 - 60
Improvements other than Buildings	20 - 50
Infrastructure	10 - 50
Machinery, Equipment, Furniture and Fixtures	5 - 20

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **K. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bonds	Capital Improvement Reserve Fund, Waterworks Fund
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund, Income Tax Fund, Rowe Arboretum Fund, Waterworks Fund

##### **L. Compensated Absences**

Employees of the City earn vacation leave at varying rates within limits specified under statute. At termination or retirement employees are paid at their full rate for 100% of their unused vacation leave.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, a liability is reported for those amounts only if they have matured, for example, as a result of an employee resignation or retirement. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

##### **M. Net Assets**

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

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

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **N. Pensions**

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

##### **O. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In" by the recipient fund, and "Transfers Out" by the disbursing fund.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are similarly treated when involving other funds of the City.

##### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, endowments and encumbered amounts that have not been accrued at year end.

##### **Q. Estimates**

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

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## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Amount by which capital additions exceeded depreciation in the current period:*

Capital Additions	\$3,463,073
Depreciation Expense	<u>(1,047,666)</u>
	\$2,415,407

*Governmental revenues not reported in the funds:*

Increase in Tax Revenue	\$353,573
Increase in Grants Receivable	<u>2,781</u>
	\$356,354

*Expenses not requiring the use of current financial resources:*

Increase in Compensated Absences Payable	(\$58,829)
Decrease in Inventory	<u>(136,389)</u>
	(\$195,218)

#### **NOTE 3 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments." Ohio law requires the classification of funds held by the City into three categories.

The investment and deposit of City monies is governed by the provisions of the Charter and Codified Ordinances of the City as well as the Ohio Revised Code. Accordingly, only financial institutions approved by City Council are eligible to hold the City's cash deposits. In addition, investments may only be purchased, after competitive quotations are obtained, through financial institutions located within Ohio or through "primary securities dealers" as designated by the Federal Reserve Bank.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 3 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS** (Continued)

Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 3 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS** (Continued)

The City has a separate investment policy and guidelines for its two endowment funds known as the Rowe Arboretum Fund and the Green Areas Endowment Fund. Under this policy the City's managers are permitted to invest in the following:

- Mortgage – or asset-backed securities rated no lower than AA;
- Commercial paper rated A1/P1 (S&P/Moody's); certificates of deposit or banker's acceptance (of domestic banks with net worth in excess of \$500 MM); bank deposits or short-term investment accounts maintained by the Fund's custodian; and, repurchase agreements (with Federal Reserve reporting dealers, fully collateralized by otherwise eligible cash equivalents, marked to market daily, held in a segregated custody account, and otherwise maintained in accordance with Federal Reserve guidelines.)
- U.S. common, convertible and preferred stocks and American Depository Receipts or Shares (ADRs or ADSs) which trade in the U.S.;
- U.S. Government, Agency and Corporate Bonds rated BBB/Baa or better, and Canadian Yankees rated at least A;
- U.S. registered mutual funds.
- Futures only in the case where the dollar value of the market exposure does not exceed the value of uninvested cash in the investment account, and where the purpose of the futures contract is to achieve market exposure for that cash in the asset class of the benchmark of the portfolio.

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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### **NOTE 3 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS** (Continued)

#### **A. Deposits (Continued)**

At year end the carrying amount of the City's deposits was \$2,715,998 and the bank balance was \$2,993,534. Federal depository insurance covered \$250,000 of the bank balance and \$2,743,534 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$2,743,534</u>
Total Balance	<u><u>\$2,743,534</u></u>

#### **B. Investments**

The City's investments at December 31, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
Fifth Third Money Market	\$27,245	N/A	\$27,245	\$0	\$0
US Bank Money Market	119,245	N/A	119,245	0	0
Vanguard Stock Market Index	1,069,995	N/A	1,069,995	0	0
US Treasury Note	6,778,966	N/A	1,607,973	4,658,963	512,030
STAR Ohio	932,404	AAAm <sup>1</sup>	932,404	0	0
FHLB	1,064,981	AAA <sup>1,2</sup>	503,855	561,126	0
FFCB	1,065,301	AAA <sup>1,2</sup>	452,813	612,488	0
Tennessee Valley Authority	200,390	AAA <sup>1,2</sup>	200,390	0	0
State of Ohio Bonds	656,487	A <sup>1,2</sup>	0	414,774	241,713
Corporate Bonds	104,841	N/A	50,346	0	54,495
Common Stock	<u>1,942,597</u>	N/A	<u>0</u>	<u>0</u>	<u>0</u>
Total Investments	<u><u>\$13,962,452</u></u>		<u><u>\$4,964,266</u></u>	<u><u>\$6,247,351</u></u>	<u><u>\$808,238</u></u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

## **NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

### **B. Investments (Continued)**

*Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.*

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 6.7% is in STAR Ohio, 48.6% are in US Treasury Notes, 7.6% are FHLB, 7.6% are FFCB, 1.4% are TVA, 4.7% are State of Ohio Bonds, 14.7% are in corporate stocks and bonds (all endowment monies) and 8.7% are in money market accounts.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the City’s investments are registered in the City’s name.

#### **C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Repurchase agreements and STAR Ohio are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	Equity in Pooled Cash, Cash Equivalents and Investments	Investments
Per Financial Statements	<u>\$16,678,450</u>	<u>\$0</u>
Investments:		
STAR Ohio	(932,404)	932,404
Fifth Third Money Market	(27,245)	27,245
US Bank Money Market	(119,245)	119,245
Vanguard Stock Market Index	(1,069,995)	1,069,995
US Treasury Notes	(6,778,966)	6,778,966
FHLB	(1,064,981)	1,064,981
FFCB	(1,065,301)	1,065,301
Tennessee Valley Authority	(200,390)	200,390
State of Ohio Bonds	(656,487)	656,487
Corporate Bonds	(104,841)	104,841
Common Stock	<u>(1,942,597)</u>	<u>1,942,597</u>
Per GASB Statement No. 3	<u>\$2,715,998</u>	<u>\$13,962,452</u>

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 4 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last equalization adjustment was completed in 2008. Real property taxes are payable annually or semi-annually. The first payment is due January 1, with the remainder payable by June 30.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property 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, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of the Village of Indian Hill. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2010 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2010 levy was based was \$983,111,600. This amount constitutes \$981,179,940 in real property assessed value, \$1,931,660 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .096% (.96 mills) of assessed value.

##### **B. Income Tax**

The City levies a resident income tax of .4% based upon 2010 Ohio Adjusted Gross Income. No reciprocal credit is recognized for residents who may be employed in other municipalities. The majority of returns are filed annually, on April 15 of each year, although the City does receive some monthly and/or quarterly remittances.

For fiscal 2010, income tax revenue totaled \$5,852,677.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 5 - RECEIVABLES**

Receivables at December 31, 2010 consisted primarily of property, inheritance and income taxes, accounts receivable and intergovernmental receivables arising from entitlement or shared revenues and grants. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred revenue.

#### **NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2010:

Fund	Transfer In	Transfer Out
General Fund	\$3,859,107	\$1,197,463
Street Construction, Maintenance, and Repair Fund	1,182,763	0
Income Tax Fund	0	4,859,107
Rowe Arboretum Fund	14,700	0
Capital Improvement Reserve Fund	1,000,000	0
Totals	<u>\$6,056,570</u>	<u>\$6,056,570</u>

The transfers out of the General Fund into the Street Construction Maintenance & Repair Fund and other funds were subsidies for operating expenditures. The transfer out of the Income Tax Fund and into the General Fund was for general operating expenditures. The transfer into the Capital Improvement Reserve Fund was to maintain the capital reserves for upcoming capital expenditures.

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# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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### **NOTE 7 - CAPITAL ASSETS**

#### **A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2010:

***Historical Cost:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<b><i>Non-Depreciable Capital Assets:</i></b>				
Land	\$78,416,249	\$2,093,520	\$0	\$80,509,769
Construction in Progress	4,587,040	0	(4,548,413)	38,627
Total Non-Depreciable Capital Assets	<u>83,003,289</u>	<u>2,093,520</u>	<u>(4,548,413)</u>	<u>80,548,396</u>
<b><i>Depreciable Capital Assets:</i></b>				
Buildings	6,842,603	4,341,098	(9,458)	11,174,243
Improvements Other than Buildings	2,726,602	228,977	(3,830)	2,951,749
Infrastructure	10,346,143	435,300	0	10,781,443
Machinery and Equipment	4,089,775	912,591	(447,294)	4,555,072
Total Depreciable Capital Assets	<u>24,005,123</u>	<u>5,917,966</u>	<u>(460,582)</u>	<u>29,462,507</u>
Total Cost	<u>\$107,008,412</u>	<u>\$8,011,486</u>	<u>(\$5,008,995)</u>	<u>\$110,010,903</u>

***Accumulated Depreciation:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$928,577)	(\$154,415)	\$5,422	(\$1,077,570)
Improvements Other than Buildings	(842,368)	(134,040)	2,505	(973,903)
Infrastructure	(5,715,778)	(348,811)	0	(6,064,589)
Machinery and Equipment	(2,578,694)	(410,400)	359,514	(2,629,580)
Total Depreciation	<u>(\$10,065,417)</u>	<u>(\$1,047,666)</u> *	<u>\$367,441</u>	<u>(\$10,745,642)</u>
<b><i>Net Value:</i></b>	<b><u>\$96,942,995</u></b>			<b><u>\$99,265,261</u></b>

\* Depreciation expenses were charged to governmental functions as follows:

General Government	(\$107,077)
Security of Persons and Property	(101,796)
Transportation	(578,589)
Leisure Time Activities	(162,754)
Community Environment	(94,525)
Public Health and Welfare	(2,925)
<b>Total Depreciation Expense</b>	<b><u>(\$1,047,666)</u></b>

# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

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**NOTE 7 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2010:

***Historical Cost:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<b><i>Non-Depreciable Capital Assets:</i></b>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	88,392	0	(88,392)	0
Total Non-Depreciable Capital Assets	<u>172,479</u>	<u>0</u>	<u>(88,392)</u>	<u>84,087</u>
<b><i>Depreciable Capital Assets:</i></b>				
Buildings	4,911,362	0	0	4,911,362
Improvements Other than Buildings	10,642,123	3,973,244	(880,963)	13,734,404
Machinery and Equipment	2,143,205	0	(73,671)	2,069,534
Total Depreciable Capital Assets	<u>17,696,690</u>	<u>3,973,244</u>	<u>(954,634)</u>	<u>20,715,300</u>
Total Cost	<u>\$17,869,169</u>	<u>\$3,973,244</u>	<u>(\$1,043,026)</u>	<u>\$20,799,387</u>

***Accumulated Depreciation:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$965,603)	(\$80,933)	\$0	(\$1,046,536)
Improvements Other than Buildings	(5,579,913)	(172,895)	880,302	(4,872,506)
Machinery and Equipment	(934,541)	(109,879)	69,878	(974,542)
Total Depreciation	<u>(\$7,480,057)</u>	<u>(\$363,707)</u>	<u>\$950,180</u>	<u>(\$6,893,584)</u>
<b><i>Net Value:</i></b>	<b><u>\$10,389,112</u></b>			<b><u>\$13,905,803</u></b>

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## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$366,385, \$345,325 and \$294,918, respectively, which were equal to the required contributions for each year.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

All City full-time police officers participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2010, 12.75% of annual covered salary for police was the portion used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2010, 2009, and 2008 were \$221,938, \$218,334 and \$211,058 for police, which were equal to the required contributions for each year.

#### **NOTE 9 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. Ohio Public Employees Retirement System (“OPERS”) (Continued)**

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$208,874, \$249,695 and \$294,918, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2010, 2009, and 2008 were \$117,496, \$115,588 and \$111,737 for police, which were equal to the required contributions for each year.

# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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### **NOTE 10 - LONG-TERM OBLIGATIONS**

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2010 is as follows:

		Balance December 31, 2009	Issued	(Retired)	Balance December 31, 2010	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bond: 2.25-3.50%						
2005 Service Building	2014	\$2,242,070	\$0	\$ (435,870)	\$1,806,200	\$431,025
2.00-3.00%						
2009 Administration Building	2018	1,795,000	0	(185,000)	1,610,000	185,000
Total General Obligation Bonds		<u>4,037,070</u>	<u>0</u>	<u>(620,870)</u>	<u>3,416,200</u>	<u>616,025</u>
Compensated Absences		1,473,728	1,519,138	(1,473,728)	1,519,138	353,213
<b>Total Governmental Activities</b>		<b><u>\$5,510,798</u></b>	<b><u>\$1,519,138</u></b>	<b><u>(\$2,094,598)</u></b>	<b><u>\$4,935,338</u></b>	<b><u>\$969,238</u></b>
<b>Business-Type Activities:</b>						
General Obligation Bonds: 2.25-3.50%						
2005 Water Works Building	2014	\$467,930	\$0	\$ (74,130)	\$393,800	\$93,975
2.00-4.15%						
2009 Water Works Bonds	2028	3,780,000	0	(155,000)	3,625,000	160,000
Total General Obligation Bonds		<u>4,247,930</u>	<u>0</u>	<u>(229,130)</u>	<u>4,018,800</u>	<u>253,975</u>
Compensated Absences		180,859	184,989	(180,859)	184,989	34,520
<b>Total Business-Type Activities</b>		<b><u>\$4,428,789</u></b>	<b><u>\$184,989</u></b>	<b><u>(\$409,989)</u></b>	<b><u>\$4,203,789</u></b>	<b><u>\$288,495</u></b>

### **A. Principal and Interest Requirements**

Principal and interest requirements to retire long-term debt outstanding at December 31, 2010 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2011	\$870,000	\$229,184
2012	890,000	206,536
2013	920,000	182,254
2014	945,000	156,296
2015	375,000	127,846
2016-2020	1,575,000	484,849
2021-2025	1,095,000	283,495
2026-2028	<u>765,000</u>	<u>63,958</u>
<b>Totals</b>	<b><u>\$7,435,000</u></b>	<b><u>\$1,734,418</u></b>

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 11 – GREEN AREAS LAND OWNERSHIP**

The City accounts for land donated for use as green areas valued at \$53,872,576 within the Governmental Activities. The property is held in trust with various deed restrictions. In accordance with the terms of the trust agreement, this property cannot be sold or developed.

#### **NOTE 12 – COMPLIANCE AND ACCOUNTABILITY**

##### **A. Fund Deficit**

The fund deficit at December 31, 2010 of \$100,697 in the Street Construction, Maintenance and Repair Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenses recognized on the cash basis. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

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# **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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### **NOTE 13 - RISK MANAGEMENT**

#### **A. Comprehensive**

The City 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. In 1993 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2010, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The twenty one participating entities and their respective pool contribution factors for the loss year ended December 31, 2010 are:

Entity	Percentage	Entity	Percentage
Beavercreek	5.96 %	Montgomery	3.17 %
Bellbrook	0.97 %	NAWA	0.17 %
Blue Ash	7.03 %	Piqua	6.01 %
Centerville	3.92 %	Sidney	6.89 %
Englewood	2.92 %	Springdale	4.06 %
Indian Hill	3.45 %	Tipp City	2.87 %
Kettering	12.11 %	Troy	7.28 %
Madeira	1.94 %	Vandalia	4.80 %
Mason	6.55 %	West Carrollton	3.30 %
Miamisburg	8.46 %	Wilmington	5.84 %
Subtotal	<u>53.31 %</u>	Wyoming	2.30 %
		Subtotal	<u>46.69 %</u>
		Total	<u><u>100.00 %</u></u>

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 13 - RISK MANAGEMENT (Continued)**

##### **A. Comprehensive (Continued)**

The following is a summary of insurance coverages at year end:

Property	\$1,000,000,000	Per occurrence
Crime / Employee Theft	500,000	Per occurrence
Liability	10,000,000	Per occurrence
Flood	25,000,000	Aggregate
Flood (Zones A & V)	5,000,000	Per occurrence
Earthquake (Property)	25,000,000	Aggregate
Extra Expense	5,000,000	Per occurrence

The deductible per occurrence is \$2,500. During 2010, MVRMA's self insured retention (SIR) limit for property was \$250,000 except boiler and machinery, which was \$5,000. The SIR for liability was \$500,000. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2010.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

With the exceptions of employee group health insurance and workers' compensation, all insurance is held with MVRMA. The City pays all elected officials bonds by statute.

There were no significant reductions in insurance coverages from the prior year in any category of risk. Settled claims have not exceeded commercial insurance coverages in any of the past three fiscal years.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 13 - RISK MANAGEMENT (Continued)**

##### **B. Medical/Surgical, Dental and Vision Insurance**

Medical coverage is offered to employees through a self-funded insurance plan. Under this program, the Risk Management Agency provides coverage for up to a maximum of \$100,000 per covered person. The plan is offered to local governments state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by United Healthcare of Ohio.

The City participates in the program and makes payments to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially determined that \$479,487 is a good and sufficient provision for incurred by not reported claims as of December 31, 2010. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$479,487 reported at December 31, 2010, is based on an estimate provided by USI Insurance (independent advisor) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred by not reported claims, be accrued at the estimated ultimate cost of settling claims.

Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year		Balance at Fiscal Year End
		Claims and Changes in Estimates	Claims Payments	
2009	\$0	\$264,339	(\$264,339)	\$0
2010	\$0	\$1,113,901	(\$634,414)	\$479,487

#### **NOTE 14 – CONDUIT DEBT**

The City of the Village of Indian Hill, Ohio (the "Issuer"), made a loan to assist in the financing of the acquisition, construction, equipping, and installation of certain school facilities to be used by Cincinnati Country Day School (the "Borrower"), a non-profit corporation. City Council approved this loan on April 19, 1999, after determining that the City, by virtue of the laws of the State of Ohio, including Article VIII, Section 13 of the Constitution of Ohio, Chapter 165 of the Ohio Revised Code is authorized and empowered among other things (a) to make a loan as previously described to the Cincinnati Country Day School which has received a determination from the Internal Revenue Service that it is an entity described in Section 501 (c) (3) of the Internal Revenue Code, within the boundaries of the Issuer, (b) to issue and sell its revenue bonds to provide moneys for such loans and (c) to enact bond legislation and execute and deliver the agreements.

## **CITY OF THE VILLAGE OF INDIAN HILL OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 14 – CONDUIT DEBT (Continued)**

City Council has determined that the acquisition, construction, installation and equipping of the project will promote the economic welfare of the people of the Issuer and the State of Ohio and create or preserve jobs and employment opportunities. Council therefore assisted with the financing of the project through the issuance of revenue bonds in the aggregate principal amount of \$17,600,000, which were closed on May 6, 1999. The principal amount still outstanding on these bond issuances at December 31, 2010 is \$4,345,000. The Adjustable Rate Demand, Economic Development Revenue Bonds, series 1999, are special obligations of the City and do not represent or constitute an indebtedness of the Issuer within the meaning of the Constitution of the State of Ohio or a pledge of faith and credit or the taxing power of the Issuer, the State of Ohio or any political subdivision, municipality or other local agency. The Series 1999 Bonds, payments are provided for under a Loan Agreement with the Cincinnati Country Day School, payments are made from funds drawn under an irrevocable Letter of Credit issued by Fifth Third Bank. No covenant or agreement of any member of the City Council of the City of the Village of Indian Hill, Ohio or of any officer, agent attorney or employee of the Issuer in his or her individual capacity, nor shall any officer or employee of the Issuer executing the Bonds be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

#### **NOTE 15 - CONTINGENCIES**

The City receives financial assistance from various state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

#### **NOTE 16 – RESTRICTED ENDOWMENTS**

The City administers two endowment funds, for designated purposes. The Green Areas Endowment Fund is restricted for maintenance and preservation of green areas within the City. The Camp Jim B fund is restricted for the purpose of preserving the Camp Jim B Boy Scout Camp.

Restricted endowments are reported at fair value. Only the amount equal to net appreciation on the endowment capital is available for expenditure. The endowment principal is non-expendable.

The City authorizes expenditures from investment proceeds of the restricted endowments in compliance with the wishes expressed by the donor, the City's Charter and related legislation, which varies among the funds.

***CITY OF THE VILLAGE OF INDIAN HILL, OHIO***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Honorable Mayor, City Council  
and City Manager  
City of the Village of Indian Hill, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Auditor of State, City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

May 27, 2011

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# Dave Yost • Auditor of State

CITY OF THE VILLAGE OF INDIAN HILL

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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
JUNE 21, 2011