

**CITY OF THE VILLAGE OF INDIAN HILL**



**BASIC FINANCIAL STATEMENTS**

**December 31, 2012**

*Prepared By:*

**Nadine Weber  
Finance Director**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Street Construction, Maintenance and Repair Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As described in Note 2 to the financial statements, in 2012, the City adopted new accounting guidance; GASB Statement No. 62, GASB Statement No. 63 and GASB Statement No. 65. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3–11 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Cincinnati, Ohio

May 21, 2013

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

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2012***

***Unaudited***

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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, 2012. 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 2012 are as follows:

- In total, net position increased \$3,442,677. Net position of governmental activities increased \$2,712,160, which represents a 2.3% increase from 2011. Net position of business-type activities increased \$730,517 from 2011.
- General revenues accounted for \$12,968,281 in revenue or 67.3% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,313,098 or 32.7% of total revenues of \$19,281,379.
- The City had \$11,317,708 in expenses related to governmental activities; only \$1,097,356 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily shared revenues and income taxes) of \$12,932,512 were adequate to provide for these programs.
- Among major funds, the general fund had \$9,527,149 in revenues and \$11,299,733 in expenditures and other financing uses. The general fund's fund balance decreased \$1,771,085 to \$9,067,205 for 2012. As a whole, all governmental funds decreased by \$1,466,924.

### **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

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2012*

*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 position 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 position and how they have changed. Net position (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 position is 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 Position 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**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**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 Position and Changes in Fiduciary Net Position.

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

The following table provides a comparison of the City's net position between December 31, 2012 and 2011.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$25,980,402	\$24,088,140	\$4,919,897	\$4,333,324	\$30,900,299	\$28,421,464
Capital assets, Net	99,757,493	99,587,653	13,680,366	13,628,275	113,437,859	113,215,928
Total assets	<u>125,737,895</u>	<u>123,675,793</u>	<u>18,600,263</u>	<u>17,961,599</u>	<u>144,338,158</u>	<u>141,637,392</u>
Long-term debt outstanding	3,779,529	4,410,996	3,728,625	3,987,011	7,508,154	8,398,007
Other liabilities	983,431	979,518	652,743	486,210	1,636,174	1,465,728
Total liabilities	<u>4,762,960</u>	<u>5,390,514</u>	<u>4,381,368</u>	<u>4,473,221</u>	<u>9,144,328</u>	<u>9,863,735</u>
Deferred inflows of resources	<u>687,527</u>	<u>710,031</u>	<u>0</u>	<u>0</u>	<u>687,527</u>	<u>710,031</u>
Net position						
Net investment in Capital Assets	97,590,658	96,787,478	10,172,201	9,863,450	107,762,859	106,650,928
Restricted	1,218,047	5,604,176	0	0	1,218,047	5,604,176
Unrestricted	<u>21,478,703</u>	<u>15,183,594</u>	<u>4,046,694</u>	<u>3,624,928</u>	<u>25,525,397</u>	<u>18,808,522</u>
Total net position	<u>\$120,287,408</u>	<u>\$117,575,248</u>	<u>\$14,218,895</u>	<u>\$13,488,378</u>	<u>\$134,506,303</u>	<u>\$131,063,626</u>

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## CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

**Changes in Net Position** – The following table shows the changes in net position for the fiscal years 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services and Sales	\$404,869	\$406,949	\$5,215,742	\$4,640,136	\$5,620,611	\$5,047,085
Operating Grants and Contributions	324,857	308,173	0	0	324,857	308,173
Capital Grants and Contributions	367,630	865,495	0	0	367,630	865,495
Total Program Revenues	<u>1,097,356</u>	<u>1,580,617</u>	<u>5,215,742</u>	<u>4,640,136</u>	<u>6,313,098</u>	<u>6,220,753</u>
General Revenues:						
Municipal Income Taxes	9,527,352	5,852,274	0	0	9,527,352	5,852,274
Property Taxes	701,937	806,743	0	0	701,937	806,743
Shared Revenues	2,064,970	5,869,462	0	0	2,064,970	5,869,462
Investment Earnings	440,939	480,065	35,769	32,033	476,708	512,098
Miscellaneous	197,314	477,932	0	0	197,314	477,932
Total General Revenues	<u>12,932,512</u>	<u>13,486,476</u>	<u>35,769</u>	<u>32,033</u>	<u>12,968,281</u>	<u>13,518,509</u>
Total Revenues	<u>14,029,868</u>	<u>15,067,093</u>	<u>5,251,511</u>	<u>4,672,169</u>	<u>19,281,379</u>	<u>19,739,262</u>
Program Expenses						
Security of Persons and Property	4,571,011	4,555,392	0	0	4,571,011	4,555,392
Public Health and Welfare Services	92,049	120,904	0	0	92,049	120,904
Leisure Time Activities	1,058,225	1,171,339	0	0	1,058,225	1,171,339
Community Environment	1,503,870	1,486,817	0	0	1,503,870	1,486,817
Transportation	1,982,601	2,015,426	0	0	1,982,601	2,015,426
General Government	2,029,266	1,820,748	0	0	2,029,266	1,820,748
Interest and Fiscal Charges	80,686	98,077	0	0	80,686	98,077
Waterworks Fund	0	0	4,520,994	3,830,415	4,520,994	3,830,415
Total Expenses	<u>11,317,708</u>	<u>11,268,703</u>	<u>4,520,994</u>	<u>3,830,415</u>	<u>15,838,702</u>	<u>15,099,118</u>
Total Change in Net Position	2,712,160	3,798,390	730,517	841,754	3,442,677	4,640,144
Beginning Net Position	<u>117,575,248</u>	<u>113,776,858</u>	<u>13,488,378</u>	<u>12,646,624</u>	<u>131,063,626</u>	<u>126,423,482</u>
Ending Net Position	<u>\$120,287,408</u>	<u>\$117,575,248</u>	<u>\$14,218,895</u>	<u>\$13,488,378</u>	<u>\$134,506,303</u>	<u>\$131,063,626</u>

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

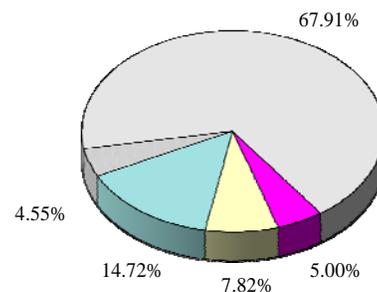
**Governmental Activities**

Net position of the City's governmental activities increased by \$2,712,160. This increase was primarily a result of increases in municipal income tax revenue, and donated capital assets (green area land).

The City receives an income tax, which is based on 0.6% of the residents' Ohio Adjusted Gross income. The income tax rate was increased from 0.4% in 2011 to 0.6% for 2012.

Property taxes and income taxes made up 5% and 67.91% respectively of revenues for governmental activities for the City in fiscal year 2012. The City's reliance upon tax revenues is demonstrated by the following graph indicating 72.91% of total revenues from general tax revenues:

Revenue Sources	2012	Percent of Total
Municipal Income Taxes	\$9,527,352	67.91%
Property Taxes	701,937	5.00%
Program Revenues	1,097,356	7.82%
Shared Revenues	2,064,970	14.72%
General Other	638,253	4.55%
Total Revenue	<u>\$14,029,868</u>	<u>100.00%</u>



**Business-Type Activities**

Net position of the business-type activities increased by \$730,517. This positive change in net position was due to revenues outpacing expenses.

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

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

The City's governmental funds reported a combined fund balance of \$15,233,089, which is a decrease of \$1,466,924 from last year's balance of \$16,700,013. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2012 and 2011:

	Fund Balance December 31, 2012	Fund Balance December 31, 2011	Increase (Decrease)
General	\$9,067,205	\$10,838,290	(\$1,771,085)
Street Construction, Maintenance and Repair	(76,795)	(91,994)	15,199
Capital Improvement Reserve			
Capital Projects	2,035,407	2,004,433	30,974
Other Governmental	4,207,272	3,949,284	257,988
Total	\$15,233,089	\$16,700,013	(\$1,466,924)

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

	2012 Revenues	2011 Revenues	Increase (Decrease)
Municipal Income Tax	\$6,153,772	\$5,685,073	\$468,699
Property and Other Taxes	709,502	813,785	(104,283)
Intergovernmental Revenues	2,030,333	5,829,331	(3,798,998)
Charges for Services	464,954	461,661	3,293
Licenses and Permits	3,300	400	2,900
Investment Earnings	46,898	130,362	(83,464)
Fines and Forfeitures	21,038	31,263	(10,225)
All Other Revenue	97,352	63,423	33,929
Total	\$9,527,149	\$13,015,298	(\$3,488,149)

General Fund revenues in 2012 decreased approximately 26.8% compared to revenues in fiscal year 2011. The most significant factor contributing to this was a decrease in estate tax revenue of \$4.3 million, which is recorded as intergovernmental revenue.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

	2012	2011	Increase (Decrease)
	<u>Expenditures</u>	<u>Expenditures</u>	
Security of Persons and Property	\$4,512,265	\$4,399,054	\$113,211
Public Health and Welfare Services	111,488	115,858	(4,370)
Leisure Time Activities	782,460	863,501	(81,041)
Community Environment	1,500,612	1,535,431	(34,819)
General Government	<u>1,773,279</u>	<u>1,645,094</u>	<u>128,185</u>
Total	<u><u>\$8,680,104</u></u>	<u><u>\$8,558,938</u></u>	<u><u>\$121,166</u></u>

General Fund expenditures increased 1.4% compared to the prior year. The increase in expenditures is a result of normal general fund activities.

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 2012 the City amended its General Fund budget several times.

The Street Construction, Maintenance and Repair Fund final budget basis revenues and expenditures did not change compared to original budget estimates.

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

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

#### **Capital Assets**

At the end of fiscal 2012 the City had \$113,437,859 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$99,757,493 was related to governmental activities and \$13,680,366 to business-type activities. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$81,533,379	\$81,165,749	\$367,630
Construction In Progress	60,823	38,627	22,196
Buildings	11,354,990	11,322,164	32,826
Land Improvements	3,032,323	3,024,023	8,300
Infrastructure	11,334,867	11,101,798	233,069
Machinery and Equipment	4,687,080	4,616,990	70,090
Less: Accumulated Depreciation	(12,245,969)	(11,681,698)	(564,271)
Totals	\$99,757,493	\$99,587,653	\$169,840
	Business-Type Activities		Increase (Decrease)
	2012	2011	
Land	\$84,087	\$84,087	\$0
Construction in Progress	157,867	146,434	11,433
Buildings	5,204,487	4,911,362	293,125
Land Improvements	13,734,404	13,734,404	0
Machinery and Equipment	2,172,673	2,077,556	95,117
Less: Accumulated Depreciation	(7,673,152)	(7,325,568)	(347,584)
Totals	\$13,680,366	\$13,628,275	\$52,091

The primary increases occurred in land and infrastructure under Governmental Activities. The increase in land was due to donations to green areas. The increase in infrastructure was due to roadway improvements. The increase under Business Type activities was due to the improvements to the water tower.

The Land under Governmental Activities includes approximately 3,000 acres in donated green areas which is valued at fair market value at the time of gift. At December 31, 2012, the total accumulated value was \$54,528,556. 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.

As of December 31, 2012, 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 9.

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

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

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## **Debt**

At December 31, 2012, the City had \$5,675,000 in general obligation bonds outstanding, \$920,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds	\$2,166,835	\$2,800,175
Compensated Absences	<u>1,612,694</u>	<u>1,610,821</u>
Total Governmental Activities	<u>\$3,779,529</u>	<u>\$4,410,996</u>
Business-Type Activities:		
General Obligation Bonds	\$3,508,165	\$3,764,825
Compensated Absences	<u>220,460</u>	<u>222,186</u>
Total Business-Type Activities	<u>3,728,625</u>	<u>3,987,011</u>
Totals	<u>\$7,508,154</u>	<u>\$8,398,007</u>

Additional information on the City's long-term debt can be found in Note 12.

## **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 2012 of 5,800. 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 maintains a strong general fund reserve balance of 20% of general fund expenditures and retains revenue flexibility as it is taxing below the maximum discretionary income tax rate of 1%. For the fiscal year ending December 31, 2012 the general fund balance decreased \$1.4 million. It is expected that future general fund balances will be affected by the loss of estate tax revenue. The City currently receives a significant amount of estate tax as intergovernmental revenue from the State. In 2012 revenue from estate tax was approximately \$1.1 million or 8% of general fund revenues. In 2011 revenue from estate tax was approximately \$5.8 million or 39% of general fund revenues. Effective January 1, 2013 the State has eliminated the estate tax. The City increased its income tax rate from 0.4% to 0.6% in 2012 to offset a large portion of the elimination of the estate tax receipts and the City is looking at other ways to compensate for this loss in revenue.

No new debt was issued by the city in 2012, and currently there is no plan to issue any additional debt.

## **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.

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## CITY OF THE VILLAGE OF INDIAN HILL, OHIO

### Statement of Net Position December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 15,329,334	\$ 3,794,773	\$ 19,124,107
Receivables:			
Taxes	9,771,333	0	9,771,333
Accounts	42,712	998,286	1,040,998
Intergovernmental	521,660	0	521,660
Internal Balances	(902)	902	0
Inventory of Supplies at Cost	254,480	112,178	366,658
Prepaid Items	61,785	13,758	75,543
Nondepreciable Capital Assets	81,594,202	241,954	81,836,156
Depreciable Capital Assets, Net	18,163,291	13,438,412	31,601,703
<b>Total Assets</b>	<b>125,737,895</b>	<b>18,600,263</b>	<b>144,338,158</b>
<b>Liabilities:</b>			
Accounts Payable	77,160	25,339	102,499
Accrued Wages and Benefits Payable	287,781	32,866	320,647
Intergovernmental Payable	276,675	555,168	831,843
Claims Payable	336,481	29,516	365,997
Accrued Interest Payable	5,334	9,854	15,188
Noncurrent liabilities:			
Due within one year	1,009,479	299,960	1,309,439
Due in more than one year	2,770,050	3,428,665	6,198,715
<b>Total Liabilities</b>	<b>4,762,960</b>	<b>4,381,368</b>	<b>9,144,328</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	687,527	0	687,527
<b>Net Position:</b>			
Net Investment in Capital Assets	97,590,658	10,172,201	107,762,859
Restricted For:			
Permanent Funds:			
Expendable	3,389	0	3,389
Nonexpendable	1,214,658	0	1,214,658
Unrestricted	21,478,703	4,046,694	25,525,397
<b>Total Net Position</b>	<b>\$ 120,287,408</b>	<b>\$ 14,218,895</b>	<b>\$ 134,506,303</b>

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, 2012**

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	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 4,571,011	\$ 172,450	\$ 0	\$ 0
Public Health and Welfare	92,049	0	0	0
Leisure Time Activities	1,058,225	151,192	0	367,630
Community Environment	1,503,870	77,967	0	0
Transportation	1,982,601	0	324,857	0
General Government	2,029,266	3,260	0	0
Interest and Fiscal Charges	80,686	0	0	0
<b>Total Governmental Activities</b>	<b>11,317,708</b>	<b>404,869</b>	<b>324,857</b>	<b>367,630</b>
<b>Business-Type Activities:</b>				
Water	4,520,994	5,215,742	0	0
<b>Total Business-Type Activities</b>	<b>4,520,994</b>	<b>5,215,742</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 15,838,702</b>	<b>\$ 5,620,611</b>	<b>\$ 324,857</b>	<b>\$ 367,630</b>

**General Revenues:**

Municipal Income Taxes  
Property Taxes  
Shared Revenues  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position 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 Position

Governmental Activities	Business-Type Activities	Total
\$ (4,398,561)	\$ 0	\$ (4,398,561)
(92,049)	0	(92,049)
(539,403)	0	(539,403)
(1,425,903)	0	(1,425,903)
(1,657,744)	0	(1,657,744)
(2,026,006)	0	(2,026,006)
(80,686)	0	(80,686)
<u>(10,220,352)</u>	<u>0</u>	<u>(10,220,352)</u>
0	694,748	694,748
<u>0</u>	<u>694,748</u>	<u>694,748</u>
<u>(10,220,352)</u>	<u>694,748</u>	<u>(9,525,604)</u>
9,527,352	0	9,527,352
701,937	0	701,937
2,064,970	0	2,064,970
440,939	35,769	476,708
197,314	0	197,314
<u>12,932,512</u>	<u>35,769</u>	<u>12,968,281</u>
2,712,160	730,517	3,442,677
<u>117,575,248</u>	<u>13,488,378</u>	<u>131,063,626</u>
<u>\$ 120,287,408</u>	<u>\$ 14,218,895</u>	<u>\$ 134,506,303</u>

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

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2012**

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Capital Improvement Reserve</u>
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 9,056,491	\$ 0	\$ 2,060,341
Receivables:			
Taxes	9,771,333	0	0
Accounts	42,712	0	0
Intergovernmental	366,056	143,934	0
Inventory of Supplies, at Cost	251,871	2,609	0
Prepaid Items	48,396	11,726	0
<b>Total Assets</b>	<u>\$ 19,536,859</u>	<u>\$ 158,269</u>	<u>\$ 2,060,341</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 70,480	\$ 6,372	\$ 0
Accrued Wages and Benefits Payable	237,352	47,620	0
Intergovernmental Payable	223,894	26,084	24,934
Claims Payable	271,546	59,032	0
Due to Other Funds	902	0	0
<b>Total Liabilities</b>	<u>804,174</u>	<u>139,108</u>	<u>24,934</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	8,977,953	95,956	0
Property Tax Levy for Next Fiscal Year	687,527	0	0
<b>Total Deferred Inflows of Resources</b>	<u>9,665,480</u>	<u>95,956</u>	<u>0</u>
<b>Fund Balances:</b>			
Nonspendable	300,267	14,335	0
Restricted	0	0	0
Committed	0	0	2,035,407
Assigned	18,253	0	0
Unassigned	8,748,685	(91,130)	0
<b>Total Fund Balances</b>	<u>9,067,205</u>	<u>(76,795)</u>	<u>2,035,407</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 19,536,859</u>	<u>\$ 158,269</u>	<u>\$ 2,060,341</u>

See accompanying notes to the basic financial statements

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

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Other Governmental Funds	Total Governmental Funds
\$ 4,212,502	\$ 15,329,334
0	9,771,333
0	42,712
11,670	521,660
0	254,480
1,663	61,785
\$ 4,225,835	\$ 25,981,304
\$ 308	\$ 77,160
2,809	287,781
1,763	276,675
5,903	336,481
0	902
10,783	978,999
7,780	9,081,689
0	687,527
7,780	9,769,216
1,216,321	1,530,923
166,167	166,167
2,824,784	4,860,191
0	18,253
0	8,657,555
4,207,272	15,233,089
\$ 4,225,835	\$ 25,981,304

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

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***Reconciliation Of Total Governmental Fund Balances  
To Net Position Of Governmental Activities  
December 31, 2012***

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***Reconciliation Of Total Governmental Fund Balances***

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<b>Total Governmental Fund Balances</b>	\$	15,233,089
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		99,757,493
Other long-term assets are not available to pay for current- period expenditures and therefore are reported as deferred inflows of resources in the funds.		9,081,689
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	(2,166,835)	
Compensated Absences Payable	(1,612,694)	
Accrued Interest Payable	(5,334)	(3,784,863)
	<hr/>	<hr/>
<b><i>Net Position of Governmental Activities</i></b>	<b>\$</b>	<b><u>120,287,408</u></b>

See accompanying notes to the basic financial statements

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

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2012**

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Capital Improvement Reserve</u>
<b>Revenues:</b>			
Municipal Income Tax	\$ 6,153,772	\$ 0	\$ 0
Property and Other Taxes	709,502	0	0
Intergovernmental Revenues	2,030,333	288,963	0
Charges for Services	464,954	0	0
Licenses, Permits and Fees	3,300	0	0
Investment Earnings	46,898	0	0
Fines and Forfeitures	21,038	0	0
All Other Revenue	97,352	0	0
<b>Total Revenue</b>	<u>9,527,149</u>	<u>288,963</u>	<u>0</u>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	4,512,265	0	0
Public Health and Welfare Services	111,488	0	0
Leisure Time Activities	782,460	0	0
Community Environment	1,500,612	0	0
Transportation	0	1,392,596	0
General Government	1,773,279	0	45,367
Capital Outlay	0	0	713,143
Debt Service:			
Principal Retirement	0	0	633,340
Interest and Fiscal Charges	0	0	82,185
<b>Total Expenditures</b>	<u>8,680,104</u>	<u>1,392,596</u>	<u>1,474,035</u>
Excess (Deficiency) of Revenues Over Expenditures	847,045	(1,103,633)	(1,474,035)
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	1,117,564	1,505,009
Transfers Out	(2,619,629)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(2,619,629)</u>	<u>1,117,564</u>	<u>1,505,009</u>
Net Change in Fund Balances	(1,772,584)	13,931	30,974
<b>Fund Balances at Beginning of Year</b>	10,838,290	(91,994)	2,004,433
Increase in Inventory Reserve	1,499	1,268	0
<b>Fund Balances End of Year</b>	<u>\$ 9,067,205</u>	<u>\$ (76,795)</u>	<u>\$ 2,035,407</u>

See accompanying notes to the basic financial statements

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

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Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 6,153,772
0	709,502
35,121	2,354,417
4,401	469,355
0	3,300
394,041	440,939
4,525	25,563
6,613	103,965
<u>444,701</u>	<u>10,260,813</u>
13,744	4,526,009
0	111,488
146,549	929,009
0	1,500,612
1,961	1,394,557
6,578	1,825,224
14,937	728,080
0	633,340
0	82,185
<u>183,769</u>	<u>11,730,504</u>
260,932	(1,469,691)
2,065	2,624,638
(5,009)	(2,624,638)
<u>(2,944)</u>	<u>0</u>
257,988	(1,469,691)
3,949,284	16,700,013
0	2,767
<u>\$ 4,207,272</u>	<u>\$ 15,233,089</u>

## **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, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,469,691)

***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. 252,756

Governmental funds only report the disposal of capital 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 capital assets net of proceeds received. (82,916)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,401,425

The repayment of principal of long-term debt consumes current financial resources of governmental funds, however it does not have any effect on net position. 633,340

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,499

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. (24,253)

***Change in Net Position of Governmental Activities*** \$ 2,712,160

See accompanying notes to the basic financial statements

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

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property and Other Taxes	\$ 710,000	\$ 710,000	\$ 709,502	\$ (498)
Intergovernmental Revenue	2,312,600	2,312,600	1,997,238	(315,362)
Charges for Services	414,500	414,500	455,064	40,564
Licenses and Permits	1,000	1,000	3,300	2,300
Investment Earnings	80,000	80,000	97,701	17,701
Fines and Forfeitures	30,000	30,000	22,237	(7,763)
All Other Revenues	29,900	29,900	46,298	16,398
Total Revenues	<u>3,578,000</u>	<u>3,578,000</u>	<u>3,331,340</u>	<u>(246,660)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,593,990	4,593,990	4,521,200	72,790
Public Health and Welfare	119,825	119,825	118,117	1,708
Leisure Time Activities	834,637	834,637	769,960	64,677
Community Environment	1,676,935	1,676,935	1,504,401	172,534
General Government	1,685,115	1,685,115	1,610,735	74,380
Total Expenditures	<u>8,910,502</u>	<u>8,910,502</u>	<u>8,524,413</u>	<u>386,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,332,502)	(5,332,502)	(5,193,073)	139,429
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	5,000	5,000	43,046	38,046
Transfers In	8,500,000	8,500,000	6,269,146	(2,230,854)
Transfers Out	(3,234,385)	(3,234,385)	(1,126,387)	2,107,998
Total Other Financing Sources (Uses):	<u>5,270,615</u>	<u>5,270,615</u>	<u>5,185,805</u>	<u>(84,810)</u>
Net Change in Fund Balance	(61,887)	(61,887)	(7,268)	54,619
Fund Balance at Beginning of Year	1,904,912	1,904,912	1,904,912	0
Fund Balance at End of Year	<u>\$ 1,843,025</u>	<u>\$ 1,843,025</u>	<u>\$ 1,897,644</u>	<u>\$ 54,619</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, 2012**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenue	\$ 274,000	\$ 274,000	\$ 288,651	\$ 14,651
Total Revenues	274,000	274,000	288,651	14,651
<b>Expenditures:</b>				
Current:				
Transportation	1,496,385	1,496,385	1,406,215	90,170
Total Expenditures	1,496,385	1,496,385	1,406,215	90,170
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,222,385)	(1,222,385)	(1,117,564)	104,821
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,222,385	1,222,385	1,117,564	(104,821)
Total Other Financing Sources (Uses):	1,222,385	1,222,385	1,117,564	(104,821)
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	1,820	1,820	1,820	0
Fund Balance at End of Year	\$ 1,820	\$ 1,820	\$ 1,820	\$ 0

See accompanying notes to the basic financial statements

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

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**Statement of Net Position  
Proprietary Fund  
December 31, 2012**

---

	<u>Business-Type Activities - Waterworks</u>
<b>Assets:</b>	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,794,773
Accounts receivable	998,286
Due from Other Funds	902
Inventory of Supplies at Cost	112,178
Prepaid Items	13,758
Total current assets	<u>4,919,897</u>
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	241,954
Depreciable Capital Assets, Net	13,438,412
Total noncurrent assets	<u>13,680,366</u>
Total assets	<u>18,600,263</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts Payable	25,339
Accrued Wages and Benefits Payable	32,866
Intergovernmental Payable	555,168
Claims Payable	29,516
Accrued Interest Payable	9,854
General Obligation Bonds Payable - Current	265,240
Compensated Absences - Current	34,720
Total Current Liabilities	<u>952,703</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable	3,242,925
Compensated Absences Payable	185,740
Total noncurrent liabilities	<u>3,428,665</u>
<b>Total Liabilities</b>	<u>4,381,368</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	10,172,201
Unrestricted	4,046,694
Total Net Position	<u>\$ 14,218,895</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 Position  
Proprietary Fund  
For the Year Ended December 31, 2012**

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	Business-Type Activities - Waterworks
<b>Operating Revenues:</b>	
Charges for Services	\$ 5,100,674
Other Operating Revenues	77,125
<b>Total Operating Revenues</b>	<u>5,177,799</u>
<b>Operating Expenses:</b>	
Personal Services	895,526
Contractual Services	2,486,729
Materials and Supplies	270,511
Utilities	270,434
Depreciation	429,933
<b>Total Operating Expenses</b>	<u>4,353,133</u>
<b>Operating Income</b>	824,666
<b>Non-Operating Revenue (Expenses):</b>	
Other Non-Operating Revenue	37,943
Loss on Disposal of Capital Assets	(44,035)
Interest and Fiscal Charges	(123,826)
Investment Earnings	35,769
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(94,149)</u>
<b>Change in Net Position</b>	730,517
<b>Net Position Beginning of Year</b>	<u>13,488,378</u>
<b>Net Position End of Year</b>	<u>\$ 14,218,895</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 Fund For the Year Ended December 31, 2012**

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	Business-Type Activities Waterworks
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$5,026,995
Other Operating Cash Receipts	77,125
Cash Payments for Goods and Services	(2,837,792)
Cash Payments to Employees	(899,391)
Net Cash Provided by Operating Activities	<u>1,366,937</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(528,970)
Principal Paid on General Obligation Bond	(256,660)
Interest Paid on All Debt	(124,350)
Net Cash Used for Capital and Related Financing Activities	<u>(909,980)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	35,769
Net Cash Provided by Investing Activities	<u>35,769</u>
Net Increase in Cash and Cash Equivalents	492,726
Cash and Cash Equivalents at Beginning of Year	<u>3,302,047</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,794,773</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$824,666
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	429,933
Miscellaneous Nonoperating Revenues	37,943
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(73,528)
Increase in Due from Other Funds	(151)
Increase in Inventory	(19,854)
Increase in Prepaid Items	(314)
Increase in Accounts Payable	4,760
Increase in Accrued Wages and Benefits	3,739
Increase in Intergovernmental Payable	165,977
Decrease in Claims Payable	(4,508)
Decrease in Compensated Absences Payable	(1,726)
Total Adjustments	<u>542,271</u>
Net Cash Provided by Operating Activities	<u><u>\$1,366,937</u></u>

See accompanying notes to the basic financial statements

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

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**Statement of Net Position  
Fiduciary Funds  
December 31, 2012**

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	Private Purpose Trust Fund	Agency Fund
<b>Assets:</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 114,601
<b>Total Assets</b>	<u>100,000</u>	<u>114,601</u>
<b>Liabilities:</b>		
Intergovernmental Payable	0	100,588
Due to Others	0	14,013
<b>Total Liabilities</b>	<u>0</u>	<u>114,601</u>
<b>Net Position:</b>		
Unrestricted	100,000	0
<b>Total Net Position</b>	<u>\$ 100,000</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 Changes in Net Position**  
**Fiduciary Fund**  
**For the Year Ended December 31, 2012**

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	Private Purpose Trust Camp Jim B. Fund
<b>Additions:</b>	
Contributions:	
Donations from City	\$ 6,758
Private Donations	242
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 Position	0
Net Position at Beginning of Year	<u>100,000</u>
Net Position 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, 2012***

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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, 2012 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, 2012***

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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.

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 position.

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, 2012***

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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 position 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 Position. 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, 2012***

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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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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, 2012***

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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, 2012 but which are not intended to finance 2012 operations and delinquent property taxes (recorded as revenue on full accrual basis), whose availability is indeterminate, are recorded as deferred inflows of resources.

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.

##### **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, 2012***

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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 2012, 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 2012.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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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 Fund 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**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**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 Fund:

	Net Change in Fund Balances	
	General Fund	Street Construction, Maintenance and Repair Fund
GAAP Basis (as reported)	(\$1,772,584)	\$13,931
Increase (Decrease):		
Accrued Revenues at December 31, 2012 received during 2013	(514,621)	(47,978)
Accrued Revenues at December 31, 2011 received during 2012	582,914	47,666
Accrued Expenditures at December 31, 2012 paid during 2013	804,174	139,108
Accrued Expenditures at December 31, 2011 paid during 2012	(811,306)	(150,697)
2012 Mark to Market Adjustment	(79)	0
2011 Mark to Market Adjustment	50,882	0
2012 Prepays for 2013	(48,396)	(11,726)
2011 Prepays for 2012	41,699	9,696
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	1,690,002	0
Outstanding Encumbrances	(29,953)	0
Budget Basis	(\$7,268)	\$0

**F. Cash and Cash Equivalents**

During fiscal year 2012, 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 5, "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, 2012***

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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 5, "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 2012. 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, 2012.

##### **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, 2012, 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, 2012***

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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 Position, 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 Position 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:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
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, 2012***

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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:

<u>Obligation</u>	<u>Fund</u>
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 position, "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 Position**

Net position represents the difference between assets and liabilities plus deferred inflows of resources. Net position - net investment in capital assets, 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. Any unspent capital debt proceeds at December 31, 2012 do not reduce net investment in capital assets. Net position is 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 resources 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, 2012***

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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. Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

##### **P. Fund Balance** (Continued)

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

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. When an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification could be used it is the City's policy to use assigned resources first, committed resources second and then unassigned amounts as they are needed.

##### **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 these estimates.

##### **R. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2012 the City implemented GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*".

Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

**NOTE 3 – FUND BALANCE CLASSIFICATION**

Fund balance is classified as nonspendable, restricted, committed and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Prepaid Items	\$48,396	\$11,726	\$0	\$1,663	\$61,785
Supplies Inventory	251,871	2,609	0	0	254,480
Endowment	0	0	0	1,214,658	1,214,658
<b>Total Nonspendable</b>	<b>300,267</b>	<b>14,335</b>	<b>0</b>	<b>1,216,321</b>	<b>1,530,923</b>
<b>Restricted:</b>					
Transportation Projects	0	0	0	150,010	150,010
Court Projects	0	0	0	8,381	8,381
Law Enforcement	0	0	0	4,387	4,387
Law & Fire Department Awards	0	0	0	3,389	3,389
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>166,167</b>	<b>166,167</b>
<b>Committed:</b>					
Maintenance of Green Areas	0	0	0	432,824	432,824
Arboretum Operations	0	0	0	2,391,960	2,391,960
Capital Improvements	0	0	2,035,407	0	2,035,407
<b>Total Committed</b>	<b>0</b>	<b>0</b>	<b>2,035,407</b>	<b>2,824,784</b>	<b>4,860,191</b>
<b>Assigned:</b>					
Encumbrances	18,253	0	0	0	18,253
<b>Unassigned</b>	<b>8,748,685</b>	<b>(91,130)</b>	<b>0</b>	<b>0</b>	<b>8,657,555</b>
<b>Total Fund Balances</b>	<b>\$9,067,205</b>	<b>(\$76,795)</b>	<b>\$2,035,407</b>	<b>\$4,207,272</b>	<b>\$15,233,089</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, 2012**

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**NOTE 4 – 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 position 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	\$1,323,280
Depreciation Expense	(1,070,524)
	<u>\$252,756</u>

*Governmental revenues not reported in the funds:*

Increase in Tax Revenue	\$3,366,015
Increase in Grants Receivable	35,410
	<u>\$3,401,425</u>

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

Increase in Compensated Absences Payable	(\$27,020)
Increase in Inventory	2,767
	<u>(\$24,253)</u>

**NOTE 5 – 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, 2012***

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#### **NOTE 5 – 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, 2012***

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#### **NOTE 5 – 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**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 5 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS  
(Continued)**

**A. Deposits** (Continued)

At year end the carrying amount of the City’s deposits was \$5,577,962 and the bank balance was \$6,326,720. Federal depository insurance covered \$250,000 of the bank balance and \$6,076,720 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	\$6,076,720
Total Balance	\$6,076,720

**B. Investments**

The City’s investments at December 31, 2012 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
Fifth Third Money Market	\$45,585	N/A	\$45,585	\$0	\$0
US Bank Money Market	127,179	N/A	127,179	0	0
Vanguard Stock Market Index	1,214,658	N/A	1,214,658	0	0
US Treasury Note	8,056,198	N/A	2,516,720	5,029,948	509,530
STAR Ohio	32,773	AAAm <sup>1</sup>	32,773	0	0
FHLB	652,732	AAA <sup>1,2</sup>	0	652,732	0
FFCB	814,420	AAA <sup>1,2</sup>	0	814,420	0
Ohio Build America Bonds	258,368	AAA <sup>1,2</sup>	0	258,368	0
State of Ohio Bonds	202,488	A <sup>1,2</sup>	202,488	0	0
Common Stock	2,356,345	N/A	0	0	0
Total Investments	\$13,760,746		\$4,139,403	\$6,755,468	\$509,530

<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, 2012***

#### **NOTE 5 - 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, .2% is in STAR Ohio, 58.6% are in US Treasury Notes, 4.7% are FHLB, 5.9% are FFCB, 1.9% are Ohio Build America Bonds, 1.5% are State of Ohio Bonds, 17.1% are in corporate stocks and bonds (all endowment monies) and 10.1% 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	\$19,338,708	\$0
Investments:		
STAR Ohio	(32,773)	32,773
Fifth Third Money Market	(45,585)	45,585
US Bank Money Market	(127,179)	127,179
Vanguard Stock Market Index	(1,214,658)	1,214,658
US Treasury Notes	(8,056,198)	8,056,198
FHLB	(652,732)	652,732
FFCB	(814,420)	814,420
Ohio Build America Bonds	(258,368)	258,368
State of Ohio Bonds	(202,488)	202,488
Common Stock	(2,356,345)	2,356,345
Per GASB Statement No. 3	\$5,577,962	\$13,760,746

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 6 - 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 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, 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 reappraisal was completed in 2011 and 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.

Tangible personal property tax revenues received in 2012 (other than public utility property) represent the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011 on values as of December 31, 2011. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2012, the City will be fully reimbursed for the lost revenue. In calendar years 2013-2017, the reimbursements will be phased out.

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 88 percent of its true value. Public utility property taxes are payable on the same dates as the real property taxes 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, 2012 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2012 levy was based was \$843,496,830. This amount constitutes \$840,938,190 in real property assessed value, \$2,230,560 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.

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 6 - TAXES (Continued)**

**B. Income Tax**

The City levies a resident income tax of .6% based upon 2012 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 2012, income tax revenue on the full accrual basis totaled \$9,257,352.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2012 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 inflows of resources.

**NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2012:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$2,619,629
Street Construction, Maintenance, and Repair Fund	1,117,564	0
Capital Improvement Reserve Fund	1,505,009	0
Other Governmental Funds	2,065	5,009
Total Governmental Funds	<u>\$2,624,638</u>	<u>\$2,624,638</u>

The transfers out of the General Fund into the Street Construction Maintenance & Repair Fund and Other Governmental Funds were subsidies for operating expenditures. The transfer into the Capital Improvement Reserve Fund was to maintain the capital reserves for upcoming capital expenditures. The transfer from the Other Governmental Funds to the Capital Improvement Reserve Fund represents reimbursement of upfront monies received for FEMA related expenditures.

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Non-Depreciable Capital Assets:</i>				
Land	\$81,165,749	\$367,630	\$0	\$81,533,379
Construction in Progress	38,627	22,196	0	60,823
Total Non-Depreciable Capital Assets	<u>81,204,376</u>	<u>389,826</u>	<u>0</u>	<u>81,594,202</u>
<i>Depreciable Capital Assets:</i>				
Buildings	11,322,164	45,534	(12,708)	11,354,990
Improvements Other than Buildings	3,024,023	8,300	0	3,032,323
Infrastructure	11,101,798	441,925	(208,856)	11,334,867
Machinery and Equipment	4,616,990	437,695	(367,605)	4,687,080
Total Depreciable Capital Assets	<u>30,064,975</u>	<u>933,454</u>	<u>(589,169)</u>	<u>30,409,260</u>
Total Cost	<u>\$111,269,351</u>	<u>\$1,323,280</u>	<u>(\$589,169)</u>	<u>\$112,003,462</u>

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings	(\$1,264,499)	(\$196,148)	\$4,783	(\$1,455,864)
Improvements Other than Buildings	(1,114,571)	(143,921)	0	(1,258,492)
Infrastructure	(6,321,514)	(370,377)	194,538	(6,497,353)
Machinery and Equipment	(2,981,114)	(360,078)	306,932	(3,034,260)
Total Depreciation	<u>(\$11,681,698)</u>	<u>(\$1,070,524) *</u>	<u>\$506,253</u>	<u>(\$12,245,969)</u>
<i>Net Value:</i>	<u>\$99,587,653</u>			<u>\$99,757,493</u>

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

General Government	(\$136,011)
Security of Persons and Property	(98,133)
Transportation	(581,516)
Leisure Time Activities	(155,638)
Community Environment	(96,301)
Public Health and Welfare	(2,925)
Total Depreciation Expense	<u>(\$1,070,524)</u>

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 9 - CAPITAL ASSETS (Continued)**

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

Summary by Category at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	146,434	118,083	(106,650)	157,867
Total Non-Depreciable Capital Assets	<u>230,521</u>	<u>118,083</u>	<u>(106,650)</u>	<u>241,954</u>
<i>Depreciable Capital Assets:</i>				
Buildings	4,911,362	293,125	0	5,204,487
Improvements Other than Buildings	13,734,404	0	0	13,734,404
Machinery and Equipment	2,077,556	221,501	(126,384)	2,172,673
Total Depreciable Capital Assets	<u>20,723,322</u>	<u>514,626</u>	<u>(126,384)</u>	<u>21,111,564</u>
Total Cost	<u>\$20,953,843</u>	<u>\$632,709</u>	<u>(\$233,034)</u>	<u>\$21,353,518</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings	(\$1,127,469)	(\$82,526)	\$0	(\$1,209,995)
Improvements Other than Buildings	(5,124,384)	(251,034)	0	(5,375,418)
Machinery and Equipment	(1,073,715)	(96,373)	82,349	(1,087,739)
Total Depreciation	<u>(\$7,325,568)</u>	<u>(\$429,933)</u>	<u>\$82,349</u>	<u>(\$7,673,152)</u>
<i>Net Value:</i>	<u>\$13,628,275</u>			<u>\$13,680,366</u>

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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, 2012***

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#### **NOTE 10 – 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 visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 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 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 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 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. 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, 2012, 2011, and 2010 were \$397,034, \$402,209 and \$366,385, 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, 2012***

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#### **NOTE 10 – 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 2012, 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, 2012, 2011, and 2010 were \$217,667, \$215,672 and \$221,938 for police which was equal to the required contributions for each year.

#### **NOTE 11 - 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.

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.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 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 2012, 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 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. 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, 2012, 2011, and 2010 were \$158,813, \$160,884 and \$208,874, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

##### **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.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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% of covered payroll for police employers. 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 2012, 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, 2012, 2011, and 2010 were \$115,236, \$114,179 and \$117,496 for police, which were equal to the required contributions for each year.

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 12 - LONG-TERM OBLIGATIONS**

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2012 is as follows:

		Balance December 31, 2011	Issued	(Retired)	Balance December 31, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bond:						
2.25-3.50%						
2005 Service Building	2014	\$1,375,175	\$0	(\$443,340)	\$931,835	\$459,760
2.00-3.00%						
2009 Administration Building	2018	1,425,000	0	(190,000)	1,235,000	195,000
Total General Obligation Bonds		<u>2,800,175</u>	<u>0</u>	<u>(633,340)</u>	<u>2,166,835</u>	<u>654,760</u>
Compensated Absences		1,610,821	1,612,694	(1,610,821)	1,612,694	354,719
<b>Total Governmental Activities</b>		<u>\$4,410,996</u>	<u>\$1,612,694</u>	<u>(\$2,244,161)</u>	<u>\$3,779,529</u>	<u>\$1,009,479</u>
<b>Business-Type Activities:</b>						
General Obligation Bonds:						
2.25-3.50%						
2005 Water Works Building	2014	\$299,825	\$0	(\$96,660)	\$203,165	\$100,240
2.00-4.15%						
2009 Water Works Bonds	2028	3,465,000	0	(160,000)	3,305,000	165,000
Total General Obligation Bonds		<u>3,764,825</u>	<u>0</u>	<u>(256,660)</u>	<u>3,508,165</u>	<u>265,240</u>
Compensated Absences		222,186	220,460	(222,186)	220,460	34,720
<b>Total Business-Type Activities</b>		<u>\$3,987,011</u>	<u>\$220,460</u>	<u>(\$478,846)</u>	<u>\$3,728,625</u>	<u>\$299,960</u>

**A. Principal and Interest Requirements**

Principal and interest requirements to retire long-term debt outstanding at December 31, 2012 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2013	\$920,000	\$182,254
2014	945,000	156,296
2015	375,000	127,846
2016	380,000	118,470
2017	395,000	108,020
2018-2022	1,215,000	394,725
2023-2027	1,180,000	200,090
2028	265,000	10,998
Totals	<u>\$5,675,000</u>	<u>\$1,298,699</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, 2012***

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**NOTE 13 – GREEN AREAS LAND OWNERSHIP**

The City accounts for land donated for use as green areas with a carrying value of \$54,528,556 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 14 – COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficit**

The fund deficit at December 31, 2012 of \$76,795 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, 2012**

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**NOTE 15 - 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, 2012, 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 one 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, 2012 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	6.24 %	Montgomery	3.13 %
Bellbrook	1.32 %	NAWA	0.61 %
Blue Ash	6.07 %	Piqua	7.91 %
Centerville	4.90 %	Sidney	6.94 %
Englewood	3.67 %	Springdale	3.38 %
Indian Hill	2.95 %	Tipp City	2.86 %
Kettering	12.32 %	Troy	6.40 %
Madeira	1.27 %	Vandalia	5.30 %
Mason	8.00 %	West Carrollton	2.20 %
Miamisburg	5.16 %	Wilmington	5.80 %
Subtotal	<u>51.90 %</u>	Wyoming	3.57 %
		Subtotal	<u>48.10 %</u>
		Total	<u><u>100.00 %</u></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, 2012***

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#### **NOTE 15 - RISK MANAGEMENT (Continued)**

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

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.

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

General/Automobile Liability	\$10,000,000	per occurrence
Public Officials Liability	10,000,000	per occurrence
Property	1,000,000,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Flood (Property in Zone A &B)	25,000,000	aggregate
Earthquake (Property)	25,000,000	aggregate

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence except Boiler and Machinery which is \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$9,000,000 to the limits stated above. 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, 2011, because an actuarial opinion issued as of that date (the latest information available) reported actual MVRMA loss reserves of \$4,242,820, which is a reasonable provision for all repaid losses and loss adjustment expenses as delivered by the actuarial

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, 2012**

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**NOTE 15 - 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 \$365,997 is a good and sufficient provision for incurred by not reported claims as of December 31, 2012. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$365,997 reported at December 31, 2012, 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:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2011	\$479,487	\$602,562	(\$632,936)	\$449,113
2012	\$449,113	\$433,462	(\$516,578)	\$365,997

**NOTE 16 – 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, 2012***

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#### **NOTE 16 – 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, 2012 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 17 - 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, 2012.

#### **NOTE 18 – 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.

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