



Dave Yost • Auditor of State

**CITY OF THE VILLAGE OF INDIAN HILL
HAMILTON COUNTY**

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CITY OF THE VILLAGE OF INDIAN HILL
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Indian Hill
Hamilton County
6525 Drake Road
Cincinnati, Ohio 45242

To the City Council:

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 Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2017, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Indian Hill, Hamilton County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Street Construction, Maintenance, and Repair Fund, and the Rowe Arboretum Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2018

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

The discussion and analysis of the City of the Village of Indian Hill's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2017. 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 2017 are as follows:

- ❑ In total, net position increased \$2,958,454. Net position of governmental activities increased \$2,716,054, which represents a 2.1% increase from 2016. Net position of business-type activities increased \$242,400 from 2016.
- ❑ General revenues accounted for \$16,478,129 in revenue or 72.2% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,343,823 or 27.8% of total revenues of \$22,821,952.
- ❑ The City had \$14,467,955 in expenses related to governmental activities; only \$744,328 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily income taxes) of \$16,439,681 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$15,998,578 in revenues and other financing sources and \$13,516,638 in expenditures and other financing uses. The general fund's fund balance increased \$2,371,099, to \$20,024,086 for 2017. As a whole, all governmental funds increased by \$3,561,517.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

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, liabilities and deferred inflows/outflows of resources. 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 deferred outflows of resources and liabilities and deferred inflows of resources) 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, 2017 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, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$39,207,226	\$36,095,686	\$4,872,285	\$4,587,012	\$44,079,511	\$40,682,698
Capital assets, Net	103,656,719	103,185,001	14,146,840	14,207,268	117,803,559	117,392,269
Total assets	<u>142,863,945</u>	<u>139,280,687</u>	<u>19,019,125</u>	<u>18,794,280</u>	<u>161,883,070</u>	<u>158,074,967</u>
Deferred outflows of resources	<u>3,171,978</u>	<u>2,945,691</u>	<u>501,898</u>	<u>391,634</u>	<u>3,673,876</u>	<u>3,337,325</u>
Net Pension Liability	10,961,754	9,758,822	1,297,027	1,022,260	12,258,781	10,781,082
Long-term debt outstanding	2,033,909	2,196,553	2,707,935	2,904,194	4,741,844	5,100,747
Other liabilities	<u>296,487</u>	<u>213,244</u>	<u>696,444</u>	<u>670,210</u>	<u>992,931</u>	<u>883,454</u>
Total liabilities	<u>13,292,150</u>	<u>12,168,619</u>	<u>4,701,406</u>	<u>4,596,664</u>	<u>17,993,556</u>	<u>16,765,283</u>
Deferred inflows of resources	<u>779,065</u>	<u>809,105</u>	<u>7,719</u>	<u>19,752</u>	<u>786,784</u>	<u>828,857</u>
Net position						
Net investment in Capital Assets	103,436,719	102,750,001	11,706,840	11,587,268	115,143,559	114,337,269
Restricted	2,032,664	1,967,912	0	0	2,032,664	1,967,912
Unrestricted	<u>26,495,325</u>	<u>24,530,741</u>	<u>3,105,058</u>	<u>2,982,230</u>	<u>29,600,383</u>	<u>27,512,971</u>
Total net position	<u>\$131,964,708</u>	<u>\$129,248,654</u>	<u>\$14,811,898</u>	<u>\$14,569,498</u>	<u>\$146,776,606</u>	<u>\$143,818,152</u>

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal years 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services and Sales	\$431,539	\$460,117	\$5,599,495	\$5,508,580	\$6,031,034	\$5,968,697
Operating Grants and Contributions	312,789	327,766	0	0	312,789	327,766
Capital Grants and Contributions	0	343,070	0	0	0	343,070
Total Program Revenues	<u>744,328</u>	<u>1,130,953</u>	<u>5,599,495</u>	<u>5,508,580</u>	<u>6,343,823</u>	<u>6,639,533</u>
General Revenues:						
Municipal Income Taxes	13,730,676	11,987,598	0	0	13,730,676	11,987,598
Property Taxes	730,229	727,509	0	0	730,229	727,509
Shared Revenues	262,152	270,888	0	0	262,152	270,888
Investment Earnings	1,254,679	748,488	38,448	35,421	1,293,127	783,909
Miscellaneous	461,945	311,519	0	0	461,945	311,519
Total General Revenues	<u>16,439,681</u>	<u>14,046,002</u>	<u>38,448</u>	<u>35,421</u>	<u>16,478,129</u>	<u>14,081,423</u>
Total Revenues	<u>17,184,009</u>	<u>15,176,955</u>	<u>5,637,943</u>	<u>5,544,001</u>	<u>22,821,952</u>	<u>20,720,956</u>
Program Expenses						
Security of Persons and Property	5,355,590	5,245,957	0	0	5,355,590	5,245,957
Public Health and Welfare Services	106,729	92,448	0	0	106,729	92,448
Leisure Time Activities	1,698,542	1,230,057	0	0	1,698,542	1,230,057
Community Environment	1,659,879	1,413,246	0	0	1,659,879	1,413,246
Transportation	2,755,793	2,496,716	0	0	2,755,793	2,496,716
General Government	2,878,910	2,355,616	0	0	2,878,910	2,355,616
Interest and Fiscal Charges	12,512	18,219	0	0	12,512	18,219
Waterworks Fund	0	0	5,395,543	5,253,814	5,395,543	5,253,814
Total Expenses	<u>14,467,955</u>	<u>12,852,259</u>	<u>5,395,543</u>	<u>5,253,814</u>	<u>19,863,498</u>	<u>18,106,073</u>
Total Change in Net Position	2,716,054	2,324,696	242,400	290,187	2,958,454	2,614,883
Beginning Net Position	<u>129,248,654</u>	<u>126,923,958</u>	<u>14,569,498</u>	<u>14,279,311</u>	<u>143,818,152</u>	<u>141,203,269</u>
Ending Net Position	<u>\$131,964,708</u>	<u>\$129,248,654</u>	<u>\$14,811,898</u>	<u>\$14,569,498</u>	<u>\$146,776,606</u>	<u>\$143,818,152</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017 Unaudited**

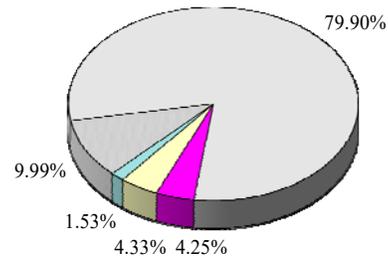
Governmental Activities

Net position of the City's governmental activities increased by \$2,716,054. This increase was primarily a result of increased income tax collections and investment earnings. The increase was also due to the City's continued practice of keeping budgeted expenditures well within estimated resources.

The City receives an income tax, which is based on 0.55% of the residents' Ohio Adjusted Gross income.

Income taxes and property taxes made up 79.90% and 4.25% respectively of revenues for governmental activities for the City in fiscal year 2017. The City's reliance upon tax revenues is demonstrated by the following graph indicating 84.15% of total revenues from general tax revenues:

Revenue Sources	2017	Percent of Total
Municipal Income Taxes	\$13,730,676	79.90%
Property Taxes	730,229	4.25%
Program Revenues	744,328	4.33%
Shared Revenues	262,152	1.53%
General Other	1,716,624	9.99%
Total Revenue	<u>\$17,184,009</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased by \$242,400. This positive change in net position was due to revenues outpacing expenses.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017 Unaudited**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$30,125,144, which is an increase of \$3,561,517 from last year's balance of \$26,563,627. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	\$20,024,086	\$17,652,987	\$2,371,099
Street Construction, Maintenance and Repair	20,519	26,697	(6,178)
Rowe Arboretum	4,045,900	3,317,067	728,833
Capital Improvement Reserve	3,132,761	2,788,760	344,001
Other Governmental	2,901,878	2,778,116	123,762
Total	\$30,125,144	\$26,563,627	\$3,561,517

General Fund – The City's General Fund balance increase is predominately the result of the increased income tax collections. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2017 Revenues	2016 Revenues	Increase (Decrease)
Municipal Income Tax	\$14,289,625	\$13,777,458	\$512,167
Property and Other Taxes	727,039	727,317	(278)
Intergovernmental Revenues	263,116	280,373	(17,257)
Charges for Services	336,947	314,922	22,025
Licenses and Permits	500	1,020	(520)
Investment Earnings	130,979	139,796	(8,817)
Fines and Forfeitures	32,519	25,723	6,796
All Other Revenue	182,560	117,260	65,300
Total	\$15,963,285	\$15,383,869	\$579,416

General Fund revenues in 2017 increased approximately 3.8% compared to revenues in fiscal year 2016. The most significant factor contributing to this was an increase in income tax collections.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

	2017	2016	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$4,970,851	\$4,742,744	\$228,107
Public Health and Welfare Services	99,280	87,028	12,252
Leisure Time Activities	910,570	767,937	142,633
Community Environment	1,249,526	1,315,414	(65,888)
General Government	<u>2,324,338</u>	<u>2,122,515</u>	<u>201,823</u>
Total	<u><u>\$9,554,565</u></u>	<u><u>\$9,035,638</u></u>	<u><u>\$518,927</u></u>

General Fund expenditures increased 5.7% when compared to the prior year. Expenditures increased across all functions except the Community Environment function.

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 2017 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.

The Rowe Arboretum Fund final budget basis expenditures increased \$20,000 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, 2017 Unaudited*

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2017 the City had \$117,803,559 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$103,656,719 was related to governmental activities and \$14,146,840 to business-type activities. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land:			
Green Areas Land (1)	\$56,102,256	\$56,102,256	\$0
Land, All Other	27,245,184	27,312,023	(66,839)
Total Land	<u>83,347,440</u>	<u>83,414,279</u>	<u>(66,839)</u>
Construction In Progress	321,255	321,761	(506)
Buildings	11,713,401	11,595,206	118,195
Land Improvements	4,075,562	3,711,499	364,063
Infrastructure	13,733,229	13,103,777	629,452
Machinery and Equipment	5,462,689	5,664,836	(202,147)
Less: Accumulated Depreciation	<u>(14,996,857)</u>	<u>(14,626,357)</u>	<u>(370,500)</u>
Totals	<u>\$103,656,719</u>	<u>\$103,185,001</u>	<u>\$471,718</u>

	Business-Type Activities		Increase (Decrease)
	2017	2016	
Land	\$84,087	\$84,087	\$0
Construction in Progress	191,846	150,648	41,198
Buildings	5,272,090	5,272,090	0
Land Improvements	15,434,516	15,478,975	(44,459)
Machinery and Equipment	2,772,550	2,480,227	292,323
Less: Accumulated Depreciation	<u>(9,608,249)</u>	<u>(9,258,759)</u>	<u>(349,490)</u>
Totals	<u>\$14,146,840</u>	<u>\$14,207,268</u>	<u>(\$60,428)</u>

- (1) Green Area Land includes parcels that were donated or, purchased and transferred into the Green Area Trust and Recreational Fund (the Fund). Land held in the Fund has restrictions on selling or developing. The purpose of the Fund is to preserve green space, forest preserves, bridle trails, bird sanctuaries, shooting ranges, recreational and public areas within or without the Village. The value of the donated land in the Fund is the County Auditor's assessed value, which approximates fair market value at the time of the gift. The value of the purchased land in the Fund is the City's actual purchase cost. The total acreage of land in the Fund is approximately 2,836 as of December 31, 2017.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

The primary increases occurred in land improvements and infrastructure under Governmental Activities. The increase in infrastructure was due to 2017 street resurfacing projects. The increase in land improvements is due to culvert and landslide repair projects. Overall, Business Type activities capital assets decreased due to depreciation expense eclipsing the amount of net activity.

Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2017, the City had \$2,660,000 in general obligation bonds outstanding, \$405,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
General Obligation Bonds	\$220,000	\$435,000
Net Pension Liability	10,961,754	9,758,822
Compensated Absences	<u>1,813,909</u>	<u>1,761,553</u>
Total Governmental Activities	<u><u>\$12,995,663</u></u>	<u><u>\$11,955,375</u></u>
Business-Type Activities:		
General Obligation Bonds	\$2,440,000	\$2,620,000
Net Pension Liability	1,297,027	1,022,260
Compensated Absences	<u>267,935</u>	<u>284,194</u>
Total Business-Type Activities	<u><u>4,004,962</u></u>	<u><u>3,926,454</u></u>
Totals	<u><u>\$17,000,625</u></u>	<u><u>\$15,881,829</u></u>

The Net Pension Liability increase in 2017 represents the City's proportionate share of the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OPF) unfunded benefits. Changes in pension benefits, contribution rates and return on investments affect the balance of the liability annually.

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

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 2017 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, 2017 the general fund balance increased \$2.7 million. Due to the economic predictions for a stable market and viable estimated reserves in future years, Village Council, during its annual income tax rate review, agreed to maintain the current 0.55% tax rate in 2017.

No new debt was issued by the city in 2017, 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 Scott Gully, 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 28,081,066	\$ 3,569,375	\$ 31,650,441
Receivables:			
Taxes	10,599,368	0	10,599,368
Accounts	46,881	1,162,473	1,209,354
Intergovernmental	289,911	42	289,953
Internal Balances	(1,224)	1,224	0
Inventory of Supplies at Cost	186,045	130,190	316,235
Prepaid Items	5,179	8,981	14,160
Nondepreciable Capital Assets	83,668,695	275,933	83,944,628
Depreciable Capital Assets, Net	19,988,024	13,870,907	33,858,931
Total Assets	142,863,945	19,019,125	161,883,070
Deferred Outflows of Resources:			
Pension	3,171,978	501,898	3,673,876
Liabilities:			
Accounts Payable	113,799	24,088	137,887
Accrued Wages and Benefits Payable	160,870	20,414	181,284
Intergovernmental Payable	21,268	644,478	665,746
Accrued Interest Payable	550	7,464	8,014
Noncurrent liabilities:			
Due within one year	651,068	230,399	881,467
Due in more than one year:			
Net Pension Liability	10,961,754	1,297,027	12,258,781
Other Amounts Due in More Than One Year	1,382,841	2,477,536	3,860,377
Total Liabilities	13,292,150	4,701,406	17,993,556
Deferred Inflows of Resources:			
Property Tax Levy for Next Year	732,111	0	732,111
Pension	46,954	7,719	54,673
Total Deferred Inflows of Resources	779,065	7,719	786,784
Net Position:			
Net Investment in Capital Assets	103,436,719	11,706,840	115,143,559
Restricted For:			
Other Purposes	34,436	0	34,436
Permanent Funds:			
Expendable	3,450	0	3,450
Nonexpendable	1,994,778	0	1,994,778
Unrestricted	26,495,325	3,105,058	29,600,383
Total Net Position	\$ 131,964,708	\$ 14,811,898	\$ 146,776,606

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Security of Persons and Property	\$ 5,355,590	\$ 164,111	\$ 0
Public Health and Welfare	106,729	0	0
Leisure Time Activities	1,698,542	187,277	0
Community Environment	1,659,879	76,025	0
Transportation	2,755,793	0	312,789
General Government	2,878,910	4,126	0
Interest and Fiscal Charges	12,512	0	0
Total Governmental Activities	14,467,955	431,539	312,789
Business-Type Activities:			
Water	5,395,543	5,599,495	0
Total Business-Type Activities	5,395,543	5,599,495	0
Totals	\$ 19,863,498	\$ 6,031,034	\$ 312,789

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,191,479)	\$ 0	\$ (5,191,479)
(106,729)	0	(106,729)
(1,511,265)	0	(1,511,265)
(1,583,854)	0	(1,583,854)
(2,443,004)	0	(2,443,004)
(2,874,784)	0	(2,874,784)
(12,512)	0	(12,512)
<u>(13,723,627)</u>	<u>0</u>	<u>(13,723,627)</u>
0	203,952	203,952
<u>0</u>	<u>203,952</u>	<u>203,952</u>
<u>(13,723,627)</u>	<u>203,952</u>	<u>(13,519,675)</u>
13,730,676	0	13,730,676
730,229	0	730,229
262,152	0	262,152
1,254,679	38,448	1,293,127
461,945	0	461,945
<u>16,439,681</u>	<u>38,448</u>	<u>16,478,129</u>
2,716,054	242,400	2,958,454
129,248,654	14,569,498	143,818,152
<u>\$ 131,964,708</u>	<u>\$ 14,811,898</u>	<u>\$ 146,776,606</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Balance Sheet
Governmental Funds
December 31, 2017

	General	Street Construction, Maintenance and Repair	Rowe Arboretum	Capital Improvement Reserve
Assets:				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 17,960,411	\$ 0	\$ 4,047,639	\$ 3,172,556
Receivables:				
Taxes	10,599,368	0	0	0
Accounts	46,881	0	0	0
Intergovernmental	133,293	144,872	0	0
Inventory of Supplies, at Cost	184,128	1,917	0	0
Prepaid Items	4,569	464	146	0
Total Assets	\$ 28,928,650	\$ 147,253	\$ 4,047,785	\$ 3,172,556
Liabilities:				
Accounts Payable	\$ 80,347	\$ 6,750	\$ 400	\$ 25,610
Accrued Wages and Benefits Payable	135,390	22,190	1,485	0
Intergovernmental Payable	5,870	1,213	0	14,185
Due to Other Funds	1,224	0	0	0
Total Liabilities	222,831	30,153	1,885	39,795
Deferred Inflows of Resources:				
Unavailable Amounts	7,949,622	96,581	0	0
Property Tax Levy for Next Fiscal Year	732,111	0	0	0
Total Deferred Inflows of Resources	8,681,733	96,581	0	0
Fund Balances:				
Nonspendable	188,697	2,381	146	0
Restricted	0	18,138	0	0
Committed	1,441,582	0	4,045,754	3,132,761
Assigned	3,978	0	0	0
Unassigned	18,389,829	0	0	0
Total Fund Balances	20,024,086	20,519	4,045,900	3,132,761
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,928,650	\$ 147,253	\$ 4,047,785	\$ 3,172,556

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,900,460	\$ 28,081,066
0	10,599,368
0	46,881
11,746	289,911
0	186,045
0	5,179
<u>\$ 2,912,206</u>	<u>\$ 39,208,450</u>
\$ 692	\$ 113,799
1,805	160,870
0	21,268
0	1,224
<u>2,497</u>	<u>297,161</u>
7,831	8,054,034
0	732,111
<u>7,831</u>	<u>8,786,145</u>
1,994,778	2,186,002
283,245	301,383
623,855	9,243,952
0	3,978
0	18,389,829
<u>2,901,878</u>	<u>30,125,144</u>
<u>\$ 2,912,206</u>	<u>\$ 39,208,450</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2017

Total Governmental Fund Balances	\$	30,125,144
 <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.		103,656,719
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.		8,054,034
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		(7,836,730)
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	(220,000)	
Compensated Absences Payable	(1,813,909)	
Accrued Interest Payable	(550)	
	<u> </u>	<u>(2,034,459)</u>
<i>Net Position of Governmental Activities</i>	\$	<u>131,964,708</u>

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, 2017**

	General	Street Construction, Maintenance and Repair	Rowe Arboretum	Capital Improvement Reserve
Revenues:				
Municipal Income Tax	\$ 14,289,625	\$ 0	\$ 0	\$ 0
Property and Other Taxes	727,039	0	0	0
Intergovernmental Revenues	263,116	291,418	0	0
Charges for Services	336,947	0	4,383	0
Licenses, Permits and Fees	500	0	0	0
Investment Earnings	130,979	0	988,065	0
Fines and Forfeitures	32,519	0	0	0
All Other Revenue	182,560	0	23,114	176,780
Total Revenue	<u>15,963,285</u>	<u>291,418</u>	<u>1,015,562</u>	<u>176,780</u>
Expenditures:				
Current:				
Security of Persons and Property	4,970,851	0	0	0
Public Health and Welfare Services	99,280	0	0	0
Leisure Time Activities	910,570	0	286,729	0
Community Environment	1,249,526	0	0	0
Transportation	0	1,633,887	0	0
General Government	2,324,338	0	0	5,566
Capital Outlay	0	0	0	2,224,163
Debt Service:				
Principal Retirement	0	0	0	215,000
Interest and Fiscal Charges	0	0	0	13,050
Total Expenditures	<u>9,554,565</u>	<u>1,633,887</u>	<u>286,729</u>	<u>2,457,779</u>
Excess (Deficiency) of Revenues				
Over Expenditures	6,408,720	(1,342,469)	728,833	(2,280,999)
Other Financing Sources (Uses):				
Sale of Capital Assets	35,293	0	0	0
Transfers In	0	1,337,073	0	2,625,000
Transfers Out	(3,962,073)	0	0	0
Total Other Financing Sources (Uses)	<u>(3,926,780)</u>	<u>1,337,073</u>	<u>0</u>	<u>2,625,000</u>
Net Change in Fund Balances	2,481,940	(5,396)	728,833	344,001
Fund Balances at Beginning of Year	17,652,987	26,697	3,317,067	2,788,760
Change in Inventory Reserve	(110,841)	(782)	0	0
Fund Balances End of Year	<u>\$ 20,024,086</u>	<u>\$ 20,519</u>	<u>\$ 4,045,900</u>	<u>\$ 3,132,761</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 14,289,625
0	727,039
23,628	578,162
127,686	469,016
0	500
135,635	1,254,679
8,629	41,148
366	382,820
295,944	17,742,989
0	4,970,851
0	99,280
167,672	1,364,971
0	1,249,526
3,826	1,637,713
684	2,330,588
0	2,224,163
0	215,000
0	13,050
172,182	14,105,142
123,762	3,637,847
0	35,293
0	3,962,073
0	(3,962,073)
0	35,293
123,762	3,673,140
2,778,116	26,563,627
0	(111,623)
\$ 2,901,878	\$ 30,125,144

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2017***

Net Change in Fund Balances - Total Governmental Funds \$ 3,673,140

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. 716,158

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. (244,440)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (558,980)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 845,103

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,766,486)

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. 215,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 538

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. (163,979)

Change in Net Position of Governmental Activities \$ 2,716,054

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, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$ 709,100	\$ 709,100	\$ 727,039	\$ 17,939
Intergovernmental Revenue	267,000	267,000	265,760	(1,240)
Charges for Services	327,000	327,000	313,342	(13,658)
Licenses and Permits	1,000	1,000	500	(500)
Investment Earnings	75,000	75,000	250,445	175,445
Fines and Forfeitures	30,000	30,000	32,519	2,519
All Other Revenues	40,000	40,000	163,726	123,726
Total Revenues	<u>1,449,100</u>	<u>1,449,100</u>	<u>1,753,331</u>	<u>304,231</u>
Expenditures:				
Current:				
Security of Persons and Property	5,083,970	5,083,970	4,955,444	128,526
Public Health and Welfare	101,730	101,730	98,885	2,845
Leisure Time Activities	986,860	986,860	881,852	105,008
Community Environment	1,501,440	1,501,440	1,239,292	262,148
General Government	2,294,277	2,306,277	2,278,716	27,561
Total Expenditures	<u>9,968,277</u>	<u>9,980,277</u>	<u>9,454,189</u>	<u>526,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,519,177)	(8,531,177)	(7,700,858)	830,319
Other Financing Sources (Uses):				
Sale of Capital Assets	25,000	25,000	35,293	10,293
Transfers In	11,300,000	11,300,000	9,114,497	(2,185,503)
Transfers Out	(1,475,955)	(1,475,955)	(1,343,021)	132,934
Total Other Financing Sources (Uses):	<u>9,849,045</u>	<u>9,849,045</u>	<u>7,806,769</u>	<u>(2,042,276)</u>
Net Change in Fund Balance	1,329,868	1,317,868	105,911	(1,211,957)
Fund Balance at Beginning of Year	3,475,027	3,475,027	3,475,027	0
Prior Year Encumbrances	5,497	5,497	5,497	0
Fund Balance at End of Year	<u>\$ 4,810,392</u>	<u>\$ 4,798,392</u>	<u>\$ 3,586,435</u>	<u>\$ (1,211,957)</u>

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)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 280,000	\$ 280,000	\$ 292,462	\$ 12,462
Total Revenues	<u>280,000</u>	<u>280,000</u>	<u>292,462</u>	<u>12,462</u>
Expenditures:				
Current:				
Transportation	1,738,955	1,738,955	1,629,535	109,420
Total Expenditures	<u>1,738,955</u>	<u>1,738,955</u>	<u>1,629,535</u>	<u>109,420</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,458,955)	(1,458,955)	(1,337,073)	121,882
Other Financing Sources (Uses):				
Transfers In	1,458,955	1,458,955	1,337,073	(121,882)
Total Other Financing Sources (Uses):	<u>1,458,955</u>	<u>1,458,955</u>	<u>1,337,073</u>	<u>(121,882)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Rowe Arboretum Fund
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 4,500	\$ 4,500	\$ 4,383	\$ (117)
Investment Earnings	115,000	249,500	246,545	(2,955)
All Other Revenues	6,000	6,000	23,114	17,114
Total Revenues	125,500	260,000	274,042	14,042
Expenditures:				
Current:				
Leisure Time Activities	298,645	318,645	296,566	22,079
Capital Outlay	15,000	15,000	0	15,000
Total Expenditures	313,645	333,645	296,566	37,079
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,145)	(73,645)	(22,524)	51,121
Fund Balance at Beginning of Year	2,625,057	2,625,057	2,625,057	0
Fund Balance at End of Year	\$ 2,436,912	\$ 2,551,412	\$ 2,602,533	\$ 51,121

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position Proprietary Fund December 31, 2017

	Business-Type Activities - Waterworks
Assets:	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,569,375
Accounts receivable	1,162,473
Intergovernmental receivable	42
Due from Other Funds	1,224
Inventory of Supplies at Cost	130,190
Prepaid Items	8,981
Total current assets	<u>4,872,285</u>
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	275,933
Depreciable Capital Assets, Net	13,870,907
Total noncurrent assets	<u>14,146,840</u>
Total assets	<u>19,019,125</u>
Deferred Outflows of Resources:	
Pension	<u>501,898</u>
Liabilities:	
Current liabilities:	
Accounts Payable	24,088
Accrued Wages and Benefits Payable	20,414
Intergovernmental Payable	644,478
Accrued Interest Payable	7,464
General Obligation Bonds Payable - Current	185,000
Compensated Absences - Current	45,399
Total Current Liabilities	<u>926,843</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable	2,255,000
Compensated Absences Payable	222,536
Net Pension Liability	1,297,027
Total noncurrent liabilities	<u>3,774,563</u>
Total Liabilities	<u>4,701,406</u>
Deferred Inflows of Resources:	
Pension	<u>7,719</u>
Net Position:	
Net Investment in Capital Assets	11,706,840
Unrestricted	3,105,058
Total Net Position	<u>\$ 14,811,898</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2017**

	Business-Type Activities - Waterworks
Operating Revenues:	
Charges for Services	\$ 5,492,497
Other Operating Revenues	80,911
Total Operating Revenues	<u>5,573,408</u>
Operating Expenses:	
Personal Services	1,205,401
Contractual Services	2,981,862
Materials and Supplies	308,516
Utilities	218,456
Depreciation	535,985
Total Operating Expenses	<u>5,250,220</u>
Operating Income (Loss)	323,188
Non-Operating Revenue (Expenses):	
Other Non-Operating Revenue	26,087
Loss on Disposal of Capital Assets	(50,803)
Interest and Fiscal Charges	(94,520)
Investment Earnings	38,448
Total Non-Operating Revenues (Expenses)	<u>(80,788)</u>
Change in Net Position	242,400
Net Position Beginning of Year	<u>14,569,498</u>
Net Position End of Year	<u>\$ 14,811,898</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2017

	Business-Type Activities Waterworks
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$5,517,440
Other Operating Cash Receipts	80,911
Cash Payments for Goods and Services	(3,489,438)
Cash Payments to Employees	(1,064,609)
Net Cash Provided by Operating Activities	1,044,304
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(520,286)
Principal Paid on General Obligation Bond	(180,000)
Interest Paid on All Debt	(94,970)
Net Cash Used for Capital and Related Financing Activities	(795,256)
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	38,448
Net Cash Provided by Investing Activities	38,448
Net Increase in Cash and Cash Equivalents	287,496
Cash and Cash Equivalents at Beginning of Year	3,281,879
Cash and Cash Equivalents at End of Year	\$3,569,375
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$323,188
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	535,985
Miscellaneous Nonoperating Revenues	26,087
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	24,675
Decrease in Due from Other Funds	268
Increase in Inventory	(21,276)
Increase in Prepaid Items	(1,444)
Increase in Deferred Outflows - Pension	(110,264)
Decrease in Accounts Payable	(65)
Increase in Accrued Wages and Benefits	3,606
Increase in Intergovernmental Payable	17,069
Decrease in Compensated Absences Payable	(16,259)
Decrease in Deferred Inflows - Pension	(12,033)
Increase in Net Pension Liability	274,767
Total Adjustments	721,116
Net Cash Provided by Operating Activities	\$1,044,304

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2017 the Waterworks Fund had an outstanding liability of \$6,074 for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Net Position
Fiduciary Funds
December 31, 2017**

	Private Purpose Trust Fund	Agency Funds
Assets:		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 108,478
Total Assets	<u>100,000</u>	<u>108,478</u>
Liabilities:		
Intergovernmental Payable	0	102,905
Due to Others	0	5,573
Total Liabilities	<u>0</u>	<u>\$ 108,478</u>
Net Position:		
Unrestricted	<u>100,000</u>	
Total Net Position	<u>\$ 100,000</u>	

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2017

	Private Purpose Trust Camp Jim B. Fund
Additions:	
Contributions:	
Donations from City	\$ 5,948
Private Donations	1,052
Total Additions	<u>7,000</u>
Deductions:	
Community Gifts, Awards and Scholarships	7,000
Total Deductions	<u>7,000</u>
Change in Net Position	0
Net Position at Beginning of Year	100,000
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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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.

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

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

Proprietary Fund

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, for special events and as an agent for the construction of the Madeira Township firehouse.

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, current liabilities, deferred inflows of resources, 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 funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and all deferred outflows/inflows 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017 but which are not intended to finance 2017 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 2017, 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 2017.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balances		
	General Fund	Street Construction, Maintenance and Repair Fund	Rowe Arboretum Fund
GAAP Basis (as reported)	\$2,481,940	(\$5,396)	\$728,833
Increase (Decrease):			
Accrued Revenues at December 31, 2017 received during 2018	(2,097,809)	(48,291)	0
Accrued Revenues at December 31, 2016 received during 2017	1,403,097	49,335	0
Accrued Expenditures at December 31, 2017 paid during 2018	222,831	30,153	1,885
Accrued Expenditures at December 31, 2016 paid during 2017	(145,979)	(25,484)	(1,655)
2016 Mark to Market Adjustment	(17,994)	0	693,586
2017 Mark to Market Adjustment	137,460	0	(1,435,106)
2016 Prepays for 2017	3,939	147	79
2017 Prepays for 2018	(4,569)	(464)	(146)
Perspective Difference:			0
Activity of Funds Reclassified for GAAP Reporting Purposes	(1,873,027)	0	
Outstanding Encumbrances	(3,978)	0	(10,000)
Budget Basis	\$105,911	\$0	(\$22,524)

F. Cash and Cash Equivalents

During fiscal year 2017, 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 2017. State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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, 2017, 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 \$5,000 and an estimated useful life threshold of five or more years. The City changed the capitalization level from \$1,000 to \$5,000 in 2017.

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 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 outflows/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, 2017 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance (Continued)

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.

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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension amounts (See Note 10). The amounts are reported in the government-wide and proprietary statements of net position.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Deferred Outflows/Inflows of Resources (Continued)

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 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. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 10.

S. Fair Market Value

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,” Statement No. 81, “Irrevocable Split-Interest Agreements,” and Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments.

GASB Statement No. 81 addresses irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.

These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

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	Rowe Arboretum	Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$4,569	\$464	\$146	\$0	\$0	\$5,179
Supplies Inventory	184,128	1,917	0	0	0	186,045
Endowment	0	0	0	0	1,994,778	1,994,778
Total Nonspendable	<u>188,697</u>	<u>2,381</u>	<u>146</u>	<u>0</u>	<u>1,994,778</u>	<u>2,186,002</u>
Restricted:						
Transportation Projects	0	18,138	0	0	260,915	279,053
Court Projects	0	0	0	0	10,500	10,500
Law Enforcement	0	0	0	0	8,380	8,380
Law & Fire Department Awards	0	0	0	0	3,450	3,450
Total Restricted	<u>0</u>	<u>18,138</u>	<u>0</u>	<u>0</u>	<u>283,245</u>	<u>301,383</u>
Committed:						
Maintenance of Green Areas	0	0	0	0	477,879	477,879
Arboretum Operations	0	0	4,045,754	0	0	4,045,754
Shooting Club Operations	0	0	0	0	145,976	145,976
Retirement Payments	1,441,582	0	0	0	0	1,441,582
Capital Improvements	0	0	0	3,132,761	0	3,132,761
Total Committed	<u>1,441,582</u>	<u>0</u>	<u>4,045,754</u>	<u>3,132,761</u>	<u>623,855</u>	<u>9,243,952</u>
Assigned:						
Goods and Services	3,978	0	0	0	0	3,978
Unassigned	18,389,829	0	0	0	0	18,389,829
Total Fund Balances	<u>\$20,024,086</u>	<u>\$20,519</u>	<u>\$4,045,900</u>	<u>\$3,132,761</u>	<u>\$2,901,878</u>	<u>\$30,125,144</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

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	\$2,177,752
Depreciation Expense	(1,461,594)
	<u>\$716,158</u>

Governmental revenues not reported in the funds:

Decrease in Tax Revenue	(\$555,759)
Decrease in Grants Receivable	(3,221)
	<u>(\$558,980)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$52,356)
Increase in Inventory	(111,623)
	<u>(\$163,979)</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 or through "primary securities dealers" as designated by the Federal Reserve Bank.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

**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 \$11,232,823 and the bank balance was \$11,924,034. Federal depository insurance covered \$407,733 of the bank balance and \$11,516,301 was exposed to custodial risk. \$10,524,073 of the uninsured bank balance was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City’s name and securities held in the Ohio Pooled Collateral System. The remaining \$992,228 was uninsured and uncollateralized due to certain timing issues related to fluctuations in depository balances. These insufficiencies were corrected the next business day.

B. Investments

The City’s investments at December 31, 2017 were as follows:

	Fair Value	Credit Rating	Concentration of Credit Risk	Investment Maturities (in Years)		
				less than 1	1-3	3-5
Fifth Third Money Market	\$51,647	N/A	0.25%	\$51,647	\$0	\$0
US Bank Money Market	151,353	N/A	0.73%	151,353	0	0
Vanguard Money Market	6,380	N/A	0.03%	6,380	0	0
Vanguard Stock Market Index	2,261,326	N/A	10.96%	2,261,326	0	0
US Treasury Notes	9,892,525	P-1 ¹ - A-1+ ²	47.96%	0	9,397,720	494,805
Star Ohio	3,851	AAAm ¹	0.02%	3,851	0	0
Negotiable C/D's	397,740	N/A	1.93%	199,276	198,464	0
FNMA	1,171,544	AAA ¹	5.68%	0	1,171,544	0
FHLB	1,584,422	AAA ^{1,2}	7.68%	499,455	1,084,967	0
FFCB	393,284	AAA ^{1,2}	1.91%	0	393,284	0
FHLMC	890,346	AAA ^{1,2}	4.32%	0	890,346	0
Municipal Bonds	98,689	AA-	0.48%	0	98,689	0
Common Stock	3,722,989	N/A	18.05%	0	0	0
Total Investments	<u>\$20,626,096</u>		<u>100.00%</u>	<u>\$3,173,288</u>	<u>\$13,235,014</u>	<u>\$494,805</u>

¹ Standard & Poor’s

² Moody’s Investor Service

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

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. The investment in corporate stocks are all endowment monies.

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	\$31,858,919	\$0
Investments:		
Fifth Third Money Market	(51,647)	51,647
US Bank Money Market	(151,353)	151,353
Vanguard Money Market	(6,380)	6,380
Vanguard Stock Market Index	(2,261,326)	2,261,326
US Treasury Notes	(9,892,525)	9,892,525
STAR Ohio	(3,851)	3,851
Negotiable C/D's	(397,740)	397,740
FNMA	(1,171,544)	1,171,544
FHLB	(1,584,422)	1,584,422
FFCB	(393,284)	393,284
FHLMC	(890,346)	890,346
Municipal Bonds	(98,689)	98,689
Common Stock	(3,722,989)	3,722,989
Per GASB Statement No. 3	\$11,232,823	\$20,626,096

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, 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 2014. Real property taxes are payable annually or semi-annually. The first payment is due January 1, with the remainder payable by June 30.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

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

The full tax rate for all City operations for the year ended December 31, 2017 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2017 levy was based was \$867,158,360. This amount constitutes \$864,129,540 in real property assessed value, \$3,028,820 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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 6 - TAXES (Continued)

B. Income Tax

The City levies a resident income tax of .55% based upon 2017 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 2017, income tax revenue on the full accrual basis totaled \$13,730,676.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2017 consisted primarily of property 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 2017:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$3,962,073
Street Construction, Maintenance, and Repair Fund	1,337,073	0
Capital Improvement Reserve Fund	2,625,000	0
Total Governmental Funds	<u>\$3,962,073</u>	<u>\$3,962,073</u>

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Non-Depreciable Capital Assets:</i>				
Green Areas Land	\$56,102,256	\$0	\$0	\$56,102,256
Land, All Other	27,312,023	0	(66,839)	27,245,184
Construction in Progress	321,761	280,685	(281,191)	321,255
Total Non-Depreciable Capital Assets	<u>83,736,040</u>	<u>280,685</u>	<u>(348,030)</u>	<u>83,668,695</u>
<i>Depreciable Capital Assets:</i>				
Buildings	11,595,206	165,125	(46,930)	11,713,401
Improvements Other than Buildings	3,711,499	403,411	(39,348)	4,075,562
Infrastructure	13,103,777	1,041,480	(412,028)	13,733,229
Machinery and Equipment	5,664,836	596,416	(798,563)	5,462,689
Total Depreciable Capital Assets	<u>34,075,318</u>	<u>2,206,432</u>	<u>(1,296,869)</u>	<u>34,984,881</u>
Total Cost	<u>\$117,811,358</u>	<u>\$2,487,117</u>	<u>(\$1,644,899)</u>	<u>\$118,653,576</u>

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$2,272,053)	(\$206,314)	\$26,505	(\$2,451,862)
Improvements Other than Buildings	(1,817,733)	(161,509)	19,736	(1,959,506)
Infrastructure	(7,217,449)	(474,097)	371,420	(7,320,126)
Machinery and Equipment	(3,319,122)	(619,674)	673,433	(3,265,363)
Total Depreciation	<u>(\$14,626,357)</u>	<u>(\$1,461,594) *</u>	<u>\$1,091,094</u>	<u>(\$14,996,857)</u>
<i>Net Value:</i>	<u>\$103,185,001</u>			<u>\$103,656,719</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	(\$144,817)
Security of Persons and Property	(137,196)
Transportation	(854,849)
Leisure Time Activities	(171,095)
Community Environment	(153,637)
Total Depreciation Expense	<u>(\$1,461,594)</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	150,648	125,922	(84,724)	191,846
Total Non-Depreciable Capital Assets	<u>234,735</u>	<u>125,922</u>	<u>(84,724)</u>	<u>275,933</u>
<i>Depreciable Capital Assets:</i>				
Buildings	5,272,090	0	0	5,272,090
Improvements Other than Buildings	15,478,975	0	(44,459)	15,434,516
Machinery and Equipment	2,480,227	485,162	(192,839)	2,772,550
Total Depreciable Capital Assets	<u>23,231,292</u>	<u>485,162</u>	<u>(237,298)</u>	<u>23,479,156</u>
Total Cost	<u>\$23,466,027</u>	<u>\$611,084</u>	<u>(\$322,022)</u>	<u>\$23,755,089</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$1,565,571)	(\$88,894)	\$0	(\$1,654,465)
Improvements Other than Buildings	(6,296,623)	(281,331)	24,146	(6,553,808)
Machinery and Equipment	(1,396,565)	(165,760)	162,349	(1,399,976)
Total Depreciation	<u>(\$9,258,759)</u>	<u>(\$535,985)</u>	<u>\$186,495</u>	<u>(\$9,608,249)</u>
<i>Net Value:</i>	<u>\$14,207,268</u>			<u>\$14,146,840</u>

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees other than full-time police participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$565,841 for 2017.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2017 through December 31, 2017	12.25 %
2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2017 through December 31, 2017	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$380,520 for 2017.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$7,247,908	\$5,010,873	\$12,258,781
Proportion of the Net Pension Liability-2017	0.031917%	0.079112%	
Proportion of the Net Pension Liability-2016	0.032057%	0.081275%	
Percentage Change	(0.000139%)	(0.002163%)	
Pension Expense	\$1,519,591	\$500,623	\$2,020,214

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,079,381	\$487,286	\$1,566,667
Changes in assumptions	1,149,607	0	1,149,607
Differences between expected and actual experience	9,824	1,417	11,241
City contributions subsequent to the measurement date	<u>565,841</u>	<u>380,520</u>	<u>946,361</u>
Total Deferred Outflows of Resources	<u>\$2,804,653</u>	<u>\$869,223</u>	<u>\$3,673,876</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$43,136</u>	<u>\$11,537</u>	<u>\$54,673</u>
Total Deferred Inflows of Resources	<u>\$43,136</u>	<u>\$11,537</u>	<u>\$54,673</u>

\$946,361 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2018	\$905,676	\$184,917	\$1,090,593
2019	937,942	184,917	1,122,859
2020	383,697	140,759	524,456
2021	(31,639)	(33,209)	(64,848)
2022	0	(245)	(245)
2023	<u>0</u>	<u>27</u>	<u>27</u>
Total	<u>\$2,195,676</u>	<u>\$477,166</u>	<u>\$2,672,842</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$11,072,798	\$7,247,908	\$4,060,537

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$6,673,889	\$5,010,873	\$3,601,444

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, 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 may be 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 2017, 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$43,526, \$82,520 and \$81,959, respectively, which were equal to the required contributions for each year.

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

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

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

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

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

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. 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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 2017, the portion of employer contributions allocated to health care was 0.5% of covered payroll for police officers. 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 ended December 31, 2017, 2016, and 2015 were \$10,014, \$9,450 and \$9,176 for police, which were equal to the required contributions for each year.

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2017 is as follows:

		Balance December 31, 2016	Issued	(Retired)	Balance December 31, 2017	Amount Due Within One Year
Governmental Activities:						
General Obligation Bond:						
2.00-3.00%						
2009 Administration Building	2018	\$435,000	\$0	(\$215,000)	\$220,000	\$220,000
Total General Obligation Bonds		<u>435,000</u>	<u>0</u>	<u>(215,000)</u>	<u>220,000</u>	<u>220,000</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		4,530,325	1,420,556	0	5,950,881	0
Ohio Police and Fire Pension Fund		5,228,497	(217,624)	0	5,010,873	0
Total Net Pension Liability		<u>9,758,822</u>	<u>1,202,932</u>	<u>0</u>	<u>10,961,754</u>	<u>0</u>
Compensated Absences		1,761,553	1,813,909	(1,761,553)	1,813,909	431,068
Total Governmental Activities		<u>\$11,955,375</u>	<u>\$3,016,841</u>	<u>(\$1,976,553)</u>	<u>\$12,995,663</u>	<u>\$651,068</u>
Business-Type Activities:						
General Obligation Bonds:						
2.00-4.15%						
2009 Water Works Bonds	2028	\$2,620,000	\$0	(\$180,000)	\$2,440,000	\$185,000
Total General Obligation Bonds		<u>2,620,000</u>	<u>0</u>	<u>(180,000)</u>	<u>2,440,000</u>	<u>185,000</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		1,022,260	274,767	0	1,297,027	0
Compensated Absences		284,194	267,935	(284,194)	267,935	45,399
Total Business-Type Activities		<u>\$3,926,454</u>	<u>\$542,702</u>	<u>(\$464,194)</u>	<u>\$4,004,962</u>	<u>\$230,399</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2017 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2018	\$405,000	\$96,170
2019	195,000	84,020
2020	200,000	78,170
2021	205,000	71,770
2022	210,000	64,595
2023-2027	1,180,000	200,090
2028	265,000	10,998
Totals	<u>\$2,660,000</u>	<u>\$605,813</u>

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1993 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2017, 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 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:

Pollution Liability	\$1,000,000	per occurrence
Public Officials/Personal Injury	12,000,000	per occurrence
Property	1,000,000,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Flood	25,000,000	per occurrence and aggregate
Cyber Liability	2,000,000	per occurrence and aggregate
Earthquake (Property)	25,000,000	per occurrence and aggregate

The member deductible per occurrence for all types of claims is \$2,500.

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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 13 - RISK MANAGEMENT (Continued)

A. Comprehensive (Continued)

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.

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 the fund is no longer running in a deficit so the provision for incurred by not reported claims as of December 31, 2017 is \$0. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$0 reported at December 31, 2017, is based on an estimate provided by the Center for Local Government Board (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>
2016	\$0	\$577,227	(\$577,227)	\$0
2017	\$0	\$645,421	(\$645,421)	\$0

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 14 – CONDUIT DEBT

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

City 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 of \$4,345,000 was paid off in 2017. The Adjustable Rate Demand, Economic Development Revenue Bonds, series 1999, are special obligations of the City and do not represent or constitute an indebtedness of the Issuer within the meaning of the Constitution of the State of Ohio or a pledge of faith and credit or the taxing power of the Issuer, the State of Ohio or any political subdivision, municipality or other local agency. The Series 1999 Bonds, payments are provided for under a Loan Agreement with the Cincinnati Country Day School, payments are made from funds drawn under an irrevocable Letter of Credit issued by Fifth Third Bank. No covenant or agreement of any member of the City Council of the City of the Village of Indian Hill, Ohio or of any officer, agent attorney or employee of the Issuer in his or her individual capacity, nor shall any officer or employee of the Issuer executing the Bonds be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

NOTE 15 - CONTINGENCIES

The City receives financial assistance from various state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 16 – RESTRICTED ENDOWMENTS

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Four Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
City's proportion of the net pension liability (asset)	0.0325820%	0.0325820%	0.0320565%	0.0319174%
City's proportionate share of the net pension liability (asset)	\$3,840,994	\$3,929,753	\$5,552,585	\$7,247,908
City's covered-employee payroll	\$4,101,315	\$4,018,442	\$3,989,733	\$4,125,983
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.65%	97.79%	139.17%	175.66%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
City's proportion of the net pension liability (asset)	0.0800342%	0.0800342%	0.0812753%	0.0791120%
City's proportionate share of the net pension liability (asset)	\$3,897,917	\$4,146,106	\$5,228,497	\$5,010,873
City's covered-employee payroll	\$2,133,879	\$1,758,295	\$1,835,121	\$1,889,974
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.67%	235.80%	284.91%	265.13%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Schedule of City Contributions
Last Five Years**

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$533,171	\$482,213	\$478,768	\$495,118	\$565,841
Contributions in relation to the contractually required contribution	<u>533,171</u>	<u>482,213</u>	<u>478,768</u>	<u>495,118</u>	<u>565,841</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$4,101,315	\$4,018,442	\$3,989,733	\$4,125,983	\$4,352,623
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$339,927	\$334,076	\$348,673	\$359,095	\$380,520
Contributions in relation to the contractually required contribution	<u>339,927</u>	<u>334,076</u>	<u>348,673</u>	<u>359,095</u>	<u>380,520</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$2,133,879	\$1,758,295	\$1,835,121	\$1,889,974	\$2,002,737
Contributions as a percentage of covered-employee payroll	15.93%	19.00%	19.00%	19.00%	19.00%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.



Dave Yost • Auditor of State

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

City of the Village of Indian Hill
Hamilton County
6525 Drake Rd.
Cincinnati, Ohio 45242

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, Ohio (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2018