CITY OF THE VILLAGE OF INDIAN HILL
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

CITY OF THE VILLAGE OF INDIAN HILL
TABLE OF CONTENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of the Village of Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of the Village of Indian Hill's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of the Village of Indian Hill, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2000, on our consideration of the City of the Village of Indian Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

June 26, 2000

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Exhibit 1

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS AND OTHER DEBITS								
ASSETS:								
Equity in pooled cash, cash equivalents and investments	$1,156,583	$2,349,540	$4,023,256	$3,897,590	$1,978,201			$13,405,170
Equity in pooled cash, cash equivalents and investments - nonexpendable trust fund					916,031			916,031
Cash with fiscal agents	87							87
Receivables (net of allowances for uncollectibles):								
Taxes	396,713							396,713
Accounts	16,144			612,924				629,068
Accrued interest	93,517	3,340		58,448	19,719			175,024
Due from other funds				284				284
Due from other governments	401,056	13,421						414,477
Prepayments	6,797	309		6,137	92			13,335
Materials and supplies inventory	39,854	3,066		44,239				87,159
Unamortized bond issue costs				41,869				41,869
Property, plant and equipment (net of accumulated depreciation where applicable)				8,171,311	38,016,841	$9,699,832		55,887,984
OTHER DEBITS:								
Amount to be provided for retirement of general long-term obligations							$762,016	762,016
Total assets and other debits	$2,110,751	$2,369,676	$4,023,256	$12,832,802	$40,930,884	$9,699,832	$762,016	$72,729,217

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

- continued

Exhibit 1

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS								
LIABILITIES:								
Accounts payable	$15,917	$9,323	$213	$14,443	$95			$39,991
Accrued wages and benefits	31,223			4,867				36,090
Compensated absences payable				85,368			$762,016	847,384
Pension obligation payable	59,834			171				60,005
Deferred revenue	825,229	3,324		58,172	11,634			898,359
Due to other governments			9,163	151,901	9,169			170,233
Due to other funds	284							284
Accrued interest payable				14,540				14,540
General obligation bonds payable				755,000				755,000
Revenue bonds payable				2,740,000				2,740,000
Total liabilities	932,487	12,647	9,376	3,824,462	20,898		762,016	5,561,886
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets						$9,699,832		9,699,832
Contributed capital				659,516				659,516
Retained earnings - unreserved				8,348,824				8,348,824
Fund balances:								
Reserved for principal endowment					363,008			363,008
Reserved for land-use restriction					38,016,841			38,016,841
Reserved for materials and supplies inventory	39,854	3,066						42,920
Reserved for prepayments	6,797	309			92			7,198
Unreserved-undesignated	1,131,613	2,353,654	4,013,880		2,530,045			10,029,192
Total equity and other credits	1,178,264	2,357,029	4,013,880	9,008,340	40,909,986	9,699,832		67,167,331
Total liabilities, equity and other credits	$2,110,751	$2,369,676	$4,023,256	$12,832,802	$40,930,884	$9,699,832	$762,016	$72,729,217

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			Fiduciary Fund Type	
	General	Special Revenue	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:					
Municipal income tax		$3,778,677			$3,778,677
Property and other taxes	$429,171				429,171
Charges for services	156,705			$3,330	160,035
Licenses, permits and fees	9,359				9,359
Fines and forfeitures	14,531				14,531
Intergovernmental	3,253,567	425,917			3,679,484
Investment income	142,922	4,704		(38,859)	108,767
Other	15,940	12,879	$10,000	23,025	61,844
Total revenue	4,022,195	4,222,177	10,000	(12,504)	8,241,868
Expenditures:					
Current Operations:					
General government	1,767,415	161,966	14,195		1,943,576
Security of persons and property	2,406,917				2,406,917
Public health and welfare	75,045				75,045
Transportation		1,058,657			1,058,657
Community environment	784,690				784,690
Leisure time activity	237,347	35,258		95,463	368,068
Capital outlay			766,233		766,233
Total expenditures	5,271,414	1,255,881	780,428	95,463	7,403,186
Excess (deficiency) of revenues over (under) expenditures	(1,249,219)	2,966,296	(770,428)	(107,967)	838,682
Other financing sources (uses):					
Proceeds from sale of fixed assets	20,996				20,996
Operating transfers in	2,628,435	673,370	872,154	27,053	4,201,012
Operating transfers out	(1,506,623)	(2,628,435)	(55)		(4,135,113)
Total other financing sources (uses)	1,142,808	(1,955,065)	872,099	27,053	86,895
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(106,411)	1,011,231	101,671	(80,914)	925,577
Fund balances, January 1	1,268,732	1,352,958	3,912,209	2,058,028	8,591,927
Increase (decrease) in reserve for inventory	15,943	(7,160)			8,783
Fund balances, December 31	$1,178,264	$2,357,029	$4,013,880	$1,977,114	$9,526,287

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit 3

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	General			Special Revenue			Capital Projects			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:												
Income taxes				$3,357,144	$3,778,677	$421,533				$3,357,144	$3,778,677	$421,533
Property and other taxes	$369,088	$380,971	$11,883							369,088	380,971	11,883
Charges for services	138,125	153,468	15,343							138,125	153,468	15,343
Licenses, permits and fees	6,800	9,359	2,559							6,800	9,359	2,559
Fines and forfeitures	17,000	14,531	(2,469)							17,000	14,531	(2,469)
Intergovernmental	1,407,888	3,255,526	1,847,638	164,200	176,618	12,418				1,572,088	3,432,144	1,860,056
Investment income	300,000	276,261	(23,739)	6,800	7,507	707				306,800	283,768	(23,032)
Other	14,575	15,884	1,309	12,000	12,879	879		$10,000	$10,000	26,575	38,763	12,188
Total revenues	2,253,476	4,106,000	1,852,524	3,540,144	3,975,681	435,537		10,000	10,000	5,793,620	8,091,681	2,298,061
Expenditures:												
Current:												
General government	1,847,777	1,755,918	91,859	175,600	158,748	16,852	$50,000	14,195	35,805	2,073,377	1,928,861	144,516
Security of persons and property	2,490,310	2,408,004	82,306							2,490,310	2,408,004	82,306
Public health and welfare	77,942	74,723	3,219							77,942	74,723	3,219
Transportation				897,999	815,058	82,941				897,999	815,058	82,941
Community environment	865,988	787,339	78,649							865,988	787,339	78,649
Leisure time activity	288,509	236,726	51,783	58,013	35,094	22,919				346,522	271,820	74,702
Capital outlay							1,102,360	769,087	333,273	1,102,360	769,087	333,273
Total expenditures	5,570,526	5,262,710	307,816	1,131,612	1,008,900	122,712	1,152,360	783,282	369,078	7,854,498	7,054,892	799,606
Excess (deficiency) of revenues over (under) expenditures	(3,317,050)	(1,156,710)	2,160,340	2,408,532	2,966,781	558,249	(1,152,360)	(773,282)	379,078	(2,060,878)	1,036,789	3,097,667
Other financing sources (uses):												
Proceeds from sale of fixed assets	8,000	20,814	12,814							8,000	20,814	12,814
Operating transfers in	4,359,153	2,628,435	(1,730,718)	782,112	673,370	(108,742)		872,154	872,154	5,141,265	4,173,959	(967,306)
Operating transfers (out)	(1,813,112)	(1,506,623)	306,489	(3,500,000)	(2,628,435)	871,565	(55)	(55)	0	(5,313,167)	(4,135,113)	1,178,054
Total other financing sources (uses)	2,554,041	1,142,626	(1,411,415)	(2,717,888)	(1,955,065)	762,823	(55)	872,099	872,154	(163,902)	59,660	223,562
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(763,009)	(14,084)	748,925	(309,356)	1,011,716	1,321,072	(1,152,415)	98,817	1,251,232	(2,224,780)	1,096,449	3,321,229
Fund balances, January 1	1,207,223	1,207,223	0	1,325,713	1,325,713	0	3,924,439	3,924,439	0	6,457,375	6,457,375	0
Fund balances, December 31	$444,214	$1,193,139	$748,925	$1,016,357	$2,337,429	$1,321,072	$2,772,024	$4,023,256	$1,251,232	$4,232,595	$7,553,824	$3,321,229

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit 4

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:			
Charges for services	$3,307,469		$3,307,469
Tap-in fees	68,515		68,515
Interest income			0
Other operating revenues.	108,000	$4,505	112,505
Total operating revenues	3,483,984	4,505	3,488,489
Operating expenses:			
Personal services	545,634		545,634
Contract services	1,176,446		1,176,446
Materials and supplies	168,288		168,288
Depreciation	267,306		267,306
Utilities	216,072		216,072
Other		7,000	7,000
Total operating expenses	2,373,746	7,000	2,380,746
Operating income (loss).	1,110,238	(2,495)	1,107,743
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	(165,453)		(165,453)
Investment earnings.	116,725		116,725
Other nonoperating revenue.		434,732	434,732
Other nonoperating expense.	(10,649)	(27,102)	(37,751)
Total nonoperating revenues (expenses).	(59,377)	407,630	348,253
Net income before operating transfers.	1,050,861	405,135	1,455,996
Operating transfers in		2,615	2,615
Operating transfers out	(68,514)		(68,514)
Net income.	982,347	407,750	(65,899)
Addback of depreciation on assets acquired from contributed capital	16,387		16,387
Retained earnings/fund balance at January 1	7,350,090	38,525,122	45,875,212
Retained earnings/fund balance at December 31.	8,348,824	38,932,872	47,281,696
Contributed capital at January 1	675,903		675,903
Depreciation on fixed assets acquired by contributed capital.	(16,387)		(16,387)
Contributed capital at December 31	659,516		659,516
Total fund equity at December 31	$9,008,340	$38,932,872	$47,941,212

ENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit 5

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from customers	$3,167,420		$3,167,420
Cash received from other operations	108,000	$4,505	112,505
Cash payments for personal services	(544,342)		(544,342)
Cash payments for contract services	(1,029,494)		(1,029,494)
Cash payments for materials and supplies	(190,233)		(190,233)
Cash payments for utilities	(215,449)		(215,449)
Cash payments for other expenses		(7,000)	(7,000)
Net cash provided by (used in) operating activities	1,295,902	(2,495)	1,293,407
Cash flows from noncapital financing activities:			
Cash received from other non-operating revenues	1,026		1,026
Other nonoperating expenses	(5,724)	(61,600)	(67,324)
Transfers in from other funds		2,615	2,615
Transfers out to other funds	(68,514)		(68,514)
Net cash used in noncapital financing activities	(73,212)	(58,985)	(132,197)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(145,745)		(145,745)
Principal retirement	(270,000)		(270,000)
Interest paid	(166,589)		(166,589)
Net cash used in capital and related financing activities	(582,334)		(582,334)
Cash flows from investing activities:			
Interest received	116,449		116,449
Net cash provided by investing activities	116,449		116,449
Net increase (decrease) in cash and cash equivalents	756,805	(61,480)	695,325
Cash and cash equivalents at January 1	3,140,785	977,511	4,118,296
Cash and cash equivalents at December 31	$3,897,590	$916,031	$4,813,621
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$1,110,238	($2,495)	$1,107,743
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	267,306		267,306
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(22,312)		(22,312)
Increase in accounts receivable	(45,472)		(45,472)
Decrease in prepayments	2,185		2,185
Decrease in due from other funds	58		58
Decrease in accounts payable	(4,323)		(4,323)
Increase in accrued wages and benefits	1,390		1,390
Decrease in compensated absences payable	(1,064)		(1,064)
Decrease in due to other governments	(12,275)		(12,275)
Increase in pension obligation payable	171		171
Net cash provided by (used in) operating activities	$1,295,902	($2,495)	$1,293,407

Non-cash investing, capital, and financing activities:
Land valued at $469,230 was donated to the City in 1999 for nonexpendable purposes and has been included as a non-operating revenue in the Nonexpendable Trust Funds.

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NOTE 1 - THE REPORTING ENTITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of the Village of Indian Hill have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU’s cooperate power, appoints a voting majority of the PCU’s board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation and wastewater. The preceding financial statements include all funds and account groups of the City (the primary government). The City has no component units.

The City is associated with certain organizations which are defined as a Shared Risk Pool and an Insurance Purchasing Pool, as follows:

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

SHARED RISK POOL

Miami Valley Risk Management Association, Inc. (MVRMA)
MVRMA is a public entity risk-sharing pool among 14 cities in Southwestern Ohio. MVRMA was formed as an Ohio nonprofit corporation for the purpose of establishing a group risk management program. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by MVRMA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. Complete financial statements for MVRMA at December 31, 1999 may be obtained from the Association at 1450 E. David Road, Suite 1B, Kettering, Ohio, 45429-5706.

INSURANCE PURCHASING POOL

Ohio Municipal League Workers' Compensation Group Rating Plan
The City is participating in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The City pays a group-rated, per employee premium based upon wages, to the Ohio Bureau of Workers' Compensation. The GRP is administered by Gates McDonald Co.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the City are maintained on the basis of funds or account groups, 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 or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the City:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

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

PROPRIETARY FUNDS:

Enterprise Fund - The Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust Funds, Nonexpendable Trust Funds and Agency Funds. Agency Funds have no measurement focus (i.e., assets equal liabilities).

ACCOUNT GROUPS:

General Fixed Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is utilized for reporting purposes by the governmental, agency and expendable trust funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due. At December 31, 1999, the City had no general long-term debt.

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

Revenues considered susceptible to accrual at the end of the year include delinquent property taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent property taxes not available at year-end are recorded as deferred revenue because they do not meet the availability criteria.

Property taxes measurable as of December 31, 1999 but not intended to finance 1999 activities have also been recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The accrual basis of accounting is utilized for reporting purposes by proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

D. BUDGETS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

TAX BUDGET

During the first Council meeting in July, the City Manager presents the annual operating 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 20 of each year, for the period January 1 to December 31 of the following year.

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

ESTIMATED RESOURCES

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each 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 unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

APPROPRIATIONS

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons (Exhibit 3) represent the final appropriation amounts, including all amendments and modifications.

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances outstanding at year-end are canceled and the resulting unencumbered funds may be reappropriated in the subsequent fiscal year.

ENCUMBRANCES

As part of formal budgetary control, purchases orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On a GAAP basis (Exhibit 1) encumbrances outstanding at year- end (if any) for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 16 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

E. CASH AND INVESTMENTS

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio, treasury notes, federal agency securities, corporate bonds, common and preferred stock and money market mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for December 31, 1999.

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. The General fund was credited with more interest revenue than would have been received based upon its share of the City's internal investment pool during 1999 as follows:

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

	Interest Actually Received	Interest Based Upon Share of Cash Fund Balance	Interest Assigned by Other Funds
General	$142,922	$29,826	$113,096

The change in fair value of applicable investments during fiscal year 1999 per GASB Statement No. 31 is as follows:

Fair Value at December 31, 1999	$13,014,682
Proceeds of investments sold and matured in fiscal year 1999	4,792,384
Cost of investments purchased in fiscal year 1999	(7,799,006)
Fair value at December 31, 1998	(10,153,001)
Change in fair value of investments during fiscal year 1999.	$ (144,941)

An analysis of the Treasurer's investment account at year end is provided in Note 3.

F. INVENTORY

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

G. PREPAID ITEMS

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. FIXED ASSETS

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The City has not included infrastructure in the General Fixed Assets Account Group.

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

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received and the depreciation is charged to contributed capital. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (Years)
Machinery, equipment, furniture and fixtures	5 - 20
Buildings	40 - 60
Improvements other than buildings	20 - 50

Property, plant and equipment acquired by the nonexpendable and expendable trust funds are stated at cost or estimated historical cost. Contributed fixed assets are recorded at fair market value at the date received. The property, plant, and equipment recorded in the nonexpendable trust funds are for the sole benefit of these trust funds and are not used for the general purposes of the City. The fixed assets of the expendable trust funds are reported as part of the General Fixed Assets Account Group. The City has elected not to record depreciation in the expendable trust fund.

The City’s fixed assets are described in Note 8.

All assets of the City with an initial cost (actual or estimated) of at least $500 are capitalized.

I. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

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

J. COMPENSATED ABSENCES

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by city ordinance and/or policy, plus applicable additional salary related payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. At December 31, 1999, a liability for compensated absences in governmental funds was not applicable for accrual. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. FUND EQUITY

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, inventories and prepaids are recorded as reservations of fund balance. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

In addition, although the Nonexpendable Trust Funds use the total economic resources measurement focus, fund equity is reserved for the amount of the principal endowment, and the amount of donated land of which use is restricted (see Note 14).

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

L. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans and accrued interfund reimbursements are reflected as interfund loans receivable or payable.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The City had no advances outstanding at December 31, 1999.

An analysis of interfund transactions is presented in Note 4.

M. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group is reported at the bond's face value. There was no general obligation bonded debt reported in the governmental funds or the General Long-Term Obligations Account Group at December 31, 1999.

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

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the interest method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the effective interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

N. STATEMENT OF CASH FLOWS

In September 1989, the Government Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The City has presented, in Exhibit 5, a statement of cash flows for its proprietary funds and nonexpendable trust funds. For purposes of the combined statement of cash flows, the enterprise and nonexpendable trust funds' portion of pooled cash and investments is considered a cash equivalent because the City is able to withdraw resources from both funds.

O. CONTRIBUTED CAPITAL

Contributed capital represents resources not subject to repayment provided to enterprise funds from other funds, other governments, and private sources. These assets are recorded at their market value on the date contributed. Depreciation on those assets acquired or constructed with capital grants is expensed and closed to contributed capital at year end.

P. ESTIMATES

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

Q. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES

The City's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with

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

all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. MEMORANDUM ONLY - TOTAL COLUMNS

The "total" columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

Moneys held by the City are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the City treasury. Active moneys must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Moneys held by the City which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio).

7. Interim deposits (such as Certificates of Deposit) in the eligible institutions applying for interim moneys as provided in Ohio Revised Code, 135.08.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits - At year-end, the carrying amount of the City's deposits was $313,312 and the bank balance was $646,280. Both amounts include payroll clearance accounts and amounts held by fiscal agents. Of the bank balance:

1. $100,000 was covered by federal depository insurance; and

2. $546,280 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments -The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Carrying Amount/ Fair Value
U.S. Government Securities	$10,785,707		$10,785,707
Corporate Bonds		$ 115,222	115,222
Common and Preferred Stock		2,113,753	2,113,753
Investments not Subject to Categorization:			
Investment in State Treasurer's Investment Pool			133,326
Money Market Mutual Funds			859,968
Total Investments	$10,785,707	$2,228,975	$14,007,976

While the stock and corporate bonds reported above are not allowable investments according to Ohio statute, the City has been endowed with both to its trust funds. No public funds were used to acquire either investment.

The U.S. Government securities have maturities ranging from 2000 to 2004.

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of pooled cash, cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Per GASB Statement No. 9	$14,321,288	
Combined Balance Sheet Reclassifications:		
Common and Preferred Stock	(2,113,753)	$ 2,113,753
State Treasurer's Investment Pool	(133,326)	133,326
U.S. Government Securities	(10,785,707)	10,785,707
Money Market Mutual Funds	(859,968)	859,968
Corporate Bonds	(115,222)	115,222
Total GASB Statement No. 3 Investments Cash with Fiscal Agent		$14,007,976
Total Carrying Amount of Deposits Per GASB Statement No. 3	$ 313,312	

NOTE 4 - INTERFUND TRANSACTIONS

A. Interfund balances at December 31, 1999, consist of the following individual fund receivables and payables:

	Due From Other Funds	Due (To) Other Funds
General Fund		$(284)
Enterprise Fund	$284	
Total Due From/Due To Other Funds	$284	$(284)

B. The following is a summarized breakdown of the City's operating transfers for 1999:

Fund	Transfers In	Transfers (Out)
General Fund	$2,628,435	$(1,506,623)
Special Revenue Funds	673,370	(2,628,435)
Capital Project Funds	872,154	(55)
Expendable Trust Funds	27,053	
Nonexpendable Trust Fund	2,615	
Enterprise Fund		(68,514)
Total	$4,203,627	$(4,203,627)

NOTE 5 - INCOME TAXES

The City levies a resident income tax of .3% based upon Ohio Adjusted Gross Income. No reciprocal credit is recognized for residents who may be employed in other municipalities. All income tax revenue is collected by the Income Tax Special Revenue Fund and subsequently may be transferred to the General Fund. The majority of returns are filed annually, on April 30 of each year, although the City does receive some monthly and/or quarterly remittances.

For fiscal 1999, income tax revenue totaled $3,778,677, of which $2,628,435 was transferred to the General fund.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by state law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. The last revaluation was completed in 1994. Real property taxes are payable annually or semiannually. The first payment for 1999 was due January 1, with the remainder payable June 30.

Public utility real and tangible personal property taxes collected in one calendar year are levied on assessed values as of the prior January 1, the lien date. Public utility tangible personal property currently is assessed at "true value" which is approximately 100% of cost. "True value" is established by the State of Ohio. Public utility property taxes are payable on the same dates as real property taxes described previously.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied on the assessed values and at the close of the most recent fiscal year of the taxpayer (for businesses in operation more than one year) or December 31. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30, and if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The first $10,000 of taxable value is exempt from taxation for each business by state law.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements.

NOTE 6 - PROPERTY TAXES - (Continued)

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 rate for all City operations for the year ended December 31, 1999, was $.96 per $1,000 of assessed value. The assessed values of real and tangible personal property located in the City, upon which taxes for 1999 were collected, are as follows:

Category	Assessed Value
Residential/Agricultural	$432,517,320
Other Real	3,371,320
Public Utility - Personal	7,608,800
Tangible Personal Property	1,176,660
Total	$444,674,100

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, they are not "available" for current period expenses, since they are not intended to finance 1999 operations. The receivable for property taxes at December 31, 1999 is $396,713, which is offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 1999 consisted primarily of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues and interest on investments. All receivables are considered fully collectible.

A summary of principal receivables follows:

	Amount
General Fund	
Taxes	$396,713
Accounts	16,144
Due From Other Governments	401,056
Accrued Interest	93,517
Special Revenue Funds	
Due from other Governments	13,421

NOTE 7 - RECEIVABLES (Continued)

Enterprise Funds	
Accounts	612,924
Accrued Interest	58,448
Fiduciary Trust Funds	
Accrued Interest	19,719

NOTE 8 - FIXED ASSETS

A. A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

Asset Class	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
Land	$5,026,376	$ 51,167		$5,077,543
Buildings	1,509,852			1,509,852
Improvements Other than Buildings	661,935	11,880		673,815
Machinery and Equipment	2,293,240	322,382	$(187,894)	2,427,728
Construction in Progress		10,894		10,894
Totals	$9,491,403	$396,323	$(187,894)	$9,699,832

The construction in progress is an addition to the Service Department building that is expected to be completed during fiscal year 2000.

B. A summary of the changes in the Expendable Trust fund portion of the General Fixed Assets Account Group during the fiscal year follows:

Asset Class	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
Land	$464,940			$464,940
Buildings	109,949			109,949
Machinery and Equipment	40,358			40,358
Improvement Other Than Buildings		$6,235		6,235
Totals	$615,247	$6,235	$ 0	$621,482

NOTE 8 - FIXED ASSETS - (Continued)

C. Enterprise Fund Fixed Assets - Summary by asset class at December 31, 1999:

Asset Class	Cost
Land	$ 84,087
Land Improvements	9,205,163
Buildings and Improvements	2,737,933
Machinery and Equipment	840,870
Construction in Progress	35,887
Subtotal	12,903,940
Accumulated Depreciation	(4,732,629)
Total Enterprise Fund Fixed Assets	$ 8,171,311

No interest was capitalized during 1999 in the Enterprise Fund.

The construction progress consists of a water softener project and construction of a high service pump. Both projects are expected to be completed during fiscal year 2000.

D. Nonexpendable Trust Fund Fixed Assets - Summary by asset class at December 31, 1999:

Asset Class	Cost
Land	$38,016,841

Land valued at $469,230 was donated to the City in 1999 for nonexpendable purposes and is included as a non-operating revenue in the accompanying general purpose financial statements.

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 1999 are as follows:

Contributed capital, January 1, 1999	$675,903
Addback of depreciation on fixed assets acquired by contributed capital	(16,387)
Contributed capital, December 31, 1999	$659,516

NOTE 10 - LONG-TERM DEBT AND OTHER OBLIGATIONS

A. Long-term debt obligations of the City at December 31, 1999 were as follows:

	Maturity Date	Balance January 1, 1999	(Retired)	Balance December 31, 1999
ENTERPRISE FUND:				
Bonds Payable:				
Mortgage Revenue:				
1989 Water Works Improvement 6.0% - 7.15%	2009	$ 85,000	$ (85,000)	$ 0
1993 Water Works Revenue Refunding 2.8% - 5.25%	2009	2,885,000	(145,000)	2,740,000
Total Mortgage Revenue Bonds		2,970,000	(230,000)	2,740,000
General Obligation:				
1992 Water Works Improvement 3.0% - 6.0%	2012	795,000	(40,000)	755,000
TOTAL Long-Term Debt Payable From Enterprise Fund Revenues		$3,765,000	$(270,000)	$3,495,000

The City is in compliance with all mortgage revenue and general obligation bond covenants.

In 1993, the City defeased a portion of its 1988 and 1989 Series Waterworks Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As a result, $2,665,000 of the bonds are considered to be defeased and $255,000 of the outstanding bonds were paid as scheduled by the City and are not considered to be defeased. As of December 31, 1999, $2,600,000 of the 1988 and 1989 series bonds are still outstanding.

B. The following is as summary of the City's future annual debt service requirements to maturity for mortgage revenue and general obligation bonds:

	Revenue Bonds		General Obligation Bonds		
Year(s)	Principal	Interest	Principal	Interest	Totals
2000	$ 240,000	$125,702	$ 40,000	$ 42,680	$ 448,382
2001	250,000	115,287	45,000	40,405	450,692
2002	265,000	104,082	45,000	37,953	452,035
2003	275,000	91,996	50,000	35,316	452,312
2004	285,000	79,043	50,000	32,491	446,534
2005 - 2009	1,425,000	170,145	300,000	113,467	2,008,612
2010 - 2014			225,000	20,850	245,850
TOTALS	$2,740,000	$686,255	$ 755,000	$323,162	$4,504,417

NOTE 10 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

C. Changes in long-term debt and other obligations of the City during 1999 were as follows:

General Long-Term Obligations:	Balance January 1, 1999	(Decrease)	December 31, 1999
Compensated Absences	$ 779,443	$ (17,427)	$ 762,016
Total General Long-Term Obligations	779,443	(17,427)	762,016
Enterprise Fund Obligations:			
Revenue Bonds	2,970,000	(230,000)	2,740,000
General Obligation Bonds	795,000	(40,000)	755,000
Total Enterprise Fund Obligations	3,765,000	(270,000)	3,495,000
TOTAL, All Long-Term Obligations	$4,544,443	$(287,427)	$4,257,016

D. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 1999, the City's total voted debt margin was $43,195,781, and the unvoted debt margin was $20,962,076.

NOTE 11 - DEFINED PENSION PLANS

A. Public Employees Retirement System (PERS)

All City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. The PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

NOTE 11 - DEFINED PENSION PLANS (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The law enforcement employer rate was 16.70 percent of covered payroll and 12.50 percent was the portion used to fund pension obligations for 1999. The City's contributions for pension obligations to the PERS for the years ended December 31, 1999, 1998, and 1997 were $336,691, $332,255, and $316,161 respectively, equal to the required contributions for the year.

B. Police and Fireman's Disability Pension Fund (PFDPF)

Full-time uniformed employees of the City participate in the Police and Fireman's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer defined benefit pension plan. The PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by Ohio State Legislature and are codified by Ohio Revised Code Chapter 742. The PFDPF issues a publicly available financial report that includes financial statements and required supplementary information for the PFDPF.

That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 1999, 1998, and 1997 were $217,265, $209,908 and $199,656, respectively; 77 percent has been contributed for 1999 and 100 percent for the years 1998 and 1997. $59,401, representing the unpaid contributions for 1999, is recorded as a liability within the general fund.

NOTE 12 - POST-RETIREMENT BENEFIT PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of

NOTE 12 - POST-RETIREMENT BENEFIT PLANS (Continued)

each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999. The 1999 employer contribution rate for law enforcement employees was 16.70 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to postemployment benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Statewide expenditures for OPEB during 1999 were $524 million. As of December 31, 1999, the unaudited estimated net assets available statewide for future OPEB payments were $9.8 billion. The number of benefit recipients statewide eligible for OPEB at December 31, 1999 was 118,062. The City’s actual contributions for 1999 which were used to fund postemployment benefits were $104,362.

B. POLICE AND FIREMEN’S DISABILITY AND PENSION FUND

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered another Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of

NOTE 12 - POST-RETIREMENT BENEFIT PLANS - (Continued)

the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were $56,486 for police and $17,497 for fire. The Fund's total health care expense for the year ended December 31, 1998 (the latest information available) were $78,596,790.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon voluntary separation from the City an employee shall receive one half of monetary compensation for each day of unused sick leave; the monetary compensation shall be at the hourly rate of compensation of the employee at the time of resignation. In addition, any employee with 10 years of service is entitled to severance pay equal to one month of salary if a salaried employee or 190 hours if an hourly employee, plus 10% of a month's salary for every year of employment beyond 10 years.

At December 31, 1999, the total liability for accumulated unpaid sick leave time and severance pay recorded in the General Long-Term Obligations Account Group was:

	Hours	Amount
Sick Leave	20,040	$469,317
Severance Pay		292,699
Total	20,040	$762,016

The compensated absences recorded above represent the non-current portion of the liability. The City uses the vesting method to determine the appropriate liability in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

NOTE 14 - GREEN AREAS LAND OWNERSHIP

The City accounts for land valued at $38,016,841 in the Green Areas Endowment Fund. The property is held in trust with various deed restrictions. In accordance with the terms of the trust agreement, this property cannot be sold or developed. Equity of this fund has been reserved to reflect the land - use restriction.

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 1999, the City was part of a public entity risk-sharing pool, Miami Valley Risk Management Association, Inc. (MVRMA) with fourteen other local cities (see Note 2). This pool covers all property, crime, liability, boiler and machinery and public official liability up to the limits stated below. Coverages provided by MVRMA are as follows:

Type of Coverage	
Property	$ 348,000,000 per occurrence
	$ 40,000,000 per location
Crime	$ 1,250,000 per occurrence
Liability	$ 10,500,000 per occurrence
Boiler & Machinery	$ 40,000,000 per occurrence
Public Official Liability	$ 5,000,000 per occurrence

The deductible per occurrence for all types is $2,500. Pool coverage for all but boiler and machinery, is $2,501 - $250,000. Excess insurance coverage, provided by commercial companies, is $250,001 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 1999, indicates reserves in excess of anticipated claims. The City's share of reserves at December 31, 1999 totaled $9,983.

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.

The City participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation (see Note 2). The Group Rating Plan is administered by Gates McDonald who was paid an annual fee of $3,782 in 1999. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

There were no significant reductions in insurance coverage from the prior year in any category of risk.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

4) Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER (UNDER) EXPENDITURES AND OTHER USES

	Governmental Fund Types		
	General Fund	Special Revenue Fund	Capital Projects Fund
Budget Basis	$ (14,084)	$1,011,716	$ 98,817
Adjustments:			
Net Adjustment for Revenue Accruals	(83,805)	246,496	
Net Adjustment for Expenditure Accruals	(8,704)	(246,981)	2,854
Net adjustment for Other Financing Sources (Uses) Accruals	182		
GAAP Basis	$(106,411)	$1,011,231	$101,671

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The City receives financial assistance from various federal, 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, 1999.

B. Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. The City's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the City.

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

Effective in the year 2000, the City's income tax rate will be reduced from .3 percent to .25 percent. Management estimates the resultant loss of revenue to the City will be approximately $625,000 per year.

NOTES 19 - 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 County 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.

NOTES 19 - CONDUIT DEBT - (Continued)

City Council has determined that the acquisition, construction, installation and equipping of the project will promote the economic welfare of the people of the Issuer and the State of Ohio and create or preserve jobs and employment opportunities. Council therefore assisted with the financing of the project through the issuance of revenue bonds in the aggregate principal amount of $20,500,000, which were closed on May 6th, 1999 and this principal amount is still outstanding at December 31, 1999. 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 the 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, from payments provided for under a Loan Agreement with Cincinnati Country Day School, 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.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited the general-purpose financial statements of the City of the Village of Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

June 26, 2000

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CITY OF VILLAGE OF INDIAN HILL

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 29, 2000