

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Basic Financial Statements

Year Ended December 31, 2004

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Honorable Mayor and Members of City Council
City of the Village of Indian Hill
6525 Drake Road
Cincinnati, Ohio 45243

We have reviewed the *Independent Auditor's Report* of the City of the Village of Indian Hill, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 23, 2005

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of the Village of Indian Hill, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Ohio as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Fund, Income Tax Fund and Rowe Arboretum Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
May 6, 2005

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2004*

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, 2004. 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 2004 are as follows:

- ❑ In total, net assets increased \$3,428,269. Net assets of governmental activities increased \$3,000,788, which represents a 3.16% increase from 2003. Net assets of business-type activities increased \$427,481 from 2003.
- ❑ General revenues accounted for \$12,097,370 in revenue or 74.3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,190,958 or 25.7% of total revenues of \$16,288,328.
- ❑ The City had \$9,767,669 in expenses related to governmental activities; only \$693,350 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily shared revenues and income taxes) of \$12,075,107 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$6,852,396 in revenues and \$7,121,721 in expenditures. The general fund's fund balance decreased \$746,465 to \$1,720,169 for 2004. Although the General Fund balance decreased, the Income Tax Fund increased \$2,647,037 to \$5,131,820. The net increase of all funds was \$1,174,744.

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, 2004***

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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets between December 31, 2004 and 2003.

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$18,896,398	\$16,255,579	\$2,819,635	\$3,075,138	\$21,716,033	\$19,330,717
Capital assets, Net	81,038,416	80,514,807	9,609,819	9,681,131	90,648,235	90,195,938
Total assets	99,934,814	96,770,386	12,429,454	12,756,269	112,364,268	109,526,655
Long-term debt outstanding	1,090,416	984,542	1,633,590	2,394,185	2,724,006	3,378,727
Other liabilities	851,150	793,384	568,707	562,408	1,419,857	1,355,792
Total liabilities	1,941,566	1,777,926	2,202,297	2,956,593	4,143,863	4,734,519
Net assets						
Invested in capital assets, net of related debt	81,038,416	80,514,807	8,084,819	7,418,300	89,123,235	87,933,107
Restricted	6,522,828	7,043,649	0	0	6,522,828	7,043,649
Unrestricted	10,432,004	7,434,004	2,142,338	2,381,376	12,574,342	9,815,380
Total net assets	<u>\$97,993,248</u>	<u>\$94,992,460</u>	<u>\$10,227,157</u>	<u>\$9,799,676</u>	<u>\$108,220,405</u>	<u>\$104,792,136</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services and Sales	\$377,528	\$217,653	\$3,497,608	\$3,049,560	\$3,875,136	\$3,267,213
Operating Grants and Contributions	246,822	208,710	0	0	246,822	208,710
Capital Grants and Contributions	69,000	4,256,609	0	0	69,000	4,256,609
General revenues:						
Municipal Income Taxes	5,196,473	3,646,974	0	0	5,196,473	3,646,974
Property Taxes	550,217	526,971	0	0	550,217	526,971
Shared Revenues	5,793,982	8,596,154	0	0	5,793,982	8,596,154
Investment Earnings	428,119	694,976	22,263	31,576	450,382	726,552
Miscellaneous	106,316	105,867	0	0	106,316	105,867
Transfers	0	619,747	0	(625,000)	0	(5,253)
Total revenues	<u>12,768,457</u>	<u>18,873,661</u>	<u>3,519,871</u>	<u>2,456,136</u>	<u>16,288,328</u>	<u>21,329,797</u>
Program Expenses						
Security of Persons and Property	3,189,282	2,873,523	0	0	3,189,282	2,873,523
Public Health and Welfare	92,517	93,907	0	0	92,517	93,907
Leisure Time Activities	608,186	567,607	0	0	608,186	567,607
Community Environment	1,144,792	1,138,318	0	0	1,144,792	1,138,318
Transportation	1,790,855	867,687	0	0	1,790,855	867,687
General Government	2,942,037	2,926,660	0	0	2,942,037	2,926,660
Debt Service:						
Interest and Fiscal Charges	0	46,195	0	0	0	46,195
Water Fund	0	0	3,092,390	2,936,173	3,092,390	2,936,173
Total expenses	<u>9,767,669</u>	<u>8,513,897</u>	<u>3,092,390</u>	<u>2,936,173</u>	<u>12,860,059</u>	<u>11,450,070</u>
Total Change in Net Assets	3,000,788	10,359,764	427,481	(480,037)	3,428,269	9,879,727
Beginning Net Assets	<u>94,992,460</u>	<u>84,632,696</u>	<u>9,799,676</u>	<u>10,279,713</u>	<u>104,792,136</u>	<u>94,912,409</u>
Ending Net Assets	<u>\$97,993,248</u>	<u>\$94,992,460</u>	<u>\$10,227,157</u>	<u>\$9,799,676</u>	<u>\$108,220,405</u>	<u>\$104,792,136</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

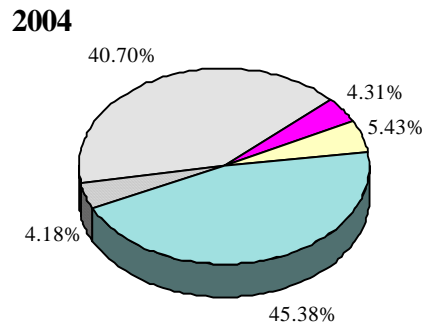
Governmental Activities

Net assets of the City's governmental activities increased by \$3,000,788. This was due to a combination of factors including an unusually large receipt of inheritance tax revenues in 2004 and an increase in income tax revenue.

The City also receives an income tax, which is based on 0.3% of the residents Ohio Adjusted income.

Shared revenues (including Local Government Assistance and Inheritance Taxes) accounted for 45.4% of revenues for governmental activities for the City in fiscal year 2004.

Revenue Sources	2004	Percent of Total
Municipal Income Taxes	\$5,196,473	40.70%
Property Taxes	550,217	4.31%
Program Revenues	693,350	5.43%
Shared Revenues	5,793,982	45.38%
General Other	534,435	4.18%
Total Revenue	<u>\$12,768,457</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased by \$427,481. This increase was the result of a combination of events, including an increase in water rates and refinancing of the 1992 and 1993 bond issues at lower interest rates.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$13,556,539, which is an increase from last year's balance of \$12,381,795. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$1,720,169	\$2,466,634	(\$746,465)
Street Construction, Maintenance and Repair	1,129	11,647	(10,518)
Income Tax	5,131,820	2,484,783	2,647,037
Rowe Arboretum	1,981,388	1,765,274	216,114
Capital Improvement Reserve			
Capital Projects	3,425,149	4,483,528	(1,058,379)
Other Governmental	<u>1,296,884</u>	<u>1,169,929</u>	<u>126,955</u>
Total	<u>\$13,556,539</u>	<u>\$12,381,795</u>	<u>\$1,174,744</u>

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	<u>2004</u> <u>Revenues</u>	<u>2003</u> <u>Revenues</u>	<u>Increase</u> <u>(Decrease)</u>
Property and Other Taxes	\$547,459	\$526,122	\$21,337
Intergovernmental Revenues	5,791,327	8,592,830	(2,801,503)
Charges for Services	353,468	221,865	131,603
Licenses and Permits	6,362	24,327	(17,965)
Investment Earnings	78,109	175,970	(97,861)
Fines and Forfeitures	46,525	14,099	32,426
All Other Revenue	<u>29,146</u>	<u>30,915</u>	<u>(1,769)</u>
Total	<u>\$6,852,396</u>	<u>\$9,586,128</u>	<u>(\$2,733,732)</u>

General Fund revenues in 2004 decreased approximately 28.5% compared to revenues in fiscal year 2003. The most significant factor contributing to this decrease was a decrease in Inheritance Tax revenues, which is recorded as an intergovernmental revenue.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2004***

Unaudited

	<u>2004 Expenditures</u>	<u>2003 Expenditures</u>	<u>Increase (Decrease)</u>
Security of Persons and Property	\$2,999,258	\$2,957,309	\$41,949
Public Health and Welfare Services	90,590	85,701	4,889
Leisure Time Activities	418,443	370,061	48,382
Community Environment	1,016,111	1,110,003	(93,892)
General Government	<u>2,597,319</u>	<u>2,362,827</u>	<u>234,492</u>
Total	<u><u>\$7,121,721</u></u>	<u><u>\$6,885,901</u></u>	<u><u>\$235,820</u></u>

General Fund expenditures increased by \$235,820 over the prior year mostly due to salary and wages, and retirement contributions.

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 2004 the City amended its General Fund budget several times.

For the General Fund, the final budget basis revenue of \$11,027,477 changed by \$2,000,000 over the original estimate of \$9,027,477 due to the receipt of unexpected inheritance tax revenues.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the City had \$90,648,235 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$81,038,416 was related to governmental activities and \$9,609,819 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$71,808,479	\$71,808,479	\$0
Land Improvements	1,207,868	1,170,281	37,587
Buildings	2,606,437	2,569,888	36,549
Machinery and Equipment	3,380,726	3,001,833	378,893
Infrastructure	8,989,803	8,776,504	213,299
Construction In Progress	297,992	18,471	279,521
Less: Accumulated Depreciation	(7,252,889)	(6,830,649)	(422,240)
Totals	<u>\$81,038,416</u>	<u>\$80,514,807</u>	<u>\$523,609</u>

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$84,087	\$84,087	\$0
Land Improvements	9,696,196	9,699,137	(2,941)
Buildings	3,712,298	2,949,237	763,061
Machinery and Equipment	2,107,302	1,993,999	113,303
Construction in Progress	0	676,590	(676,590)
Less: Accumulated Depreciation	(5,990,064)	(5,721,919)	(268,145)
Totals	<u>\$9,609,819</u>	<u>\$9,681,131</u>	<u>(\$71,312)</u>

The primary increase occurred in Buildings due to the completion of the water tower improvements and the pressure zone modifications under Business-Type Activities. The increase in construction in progress under Governmental Activities includes remodeling of the Phinney House for offices, the improvements to Grand Valley and a new building for Public Works and Water Works.

As of December 31, 2004, the City has contractual commitments for continued development of Grand Valley and remodeling of the Phinney Office Annex. Additional information on the City's capital assets can be found in Note 8.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Debt

At December 31, 2004, the City had \$1,525,000 in general obligation bonds outstanding, \$330,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
Compensated Absences	<u>\$1,090,416</u>	<u>\$984,542</u>
Total Governmental Activities	<u>\$1,090,416</u>	<u>\$984,542</u>
Business-Type Activities:		
General Obligation Bonds	\$1,525,000	\$575,000
Mortgage Revenue Bonds	0	1,710,000
Compensated Absences	<u>108,590</u>	<u>109,185</u>
Total Business-Type Activities	<u>1,633,590</u>	<u>2,394,185</u>
Totals	<u>\$2,724,006</u>	<u>\$3,378,727</u>

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

ECONOMIC FACTORS

The City of the Village of Indian Hill is an exclusively residential city with a population of 6,077.

The city's municipal income tax rate remained at .3% for 2004. The income tax rate continues at .3% for 2005.

The city maintains a strong general fund reserve balance of 20% of general fund expenditures. For the fiscal year ending December 31, 2004 there was a drop in the general fund balance reserves from \$2.3 million in 2003 to \$1.7 million in 2004. The 2005 budget projects a general fund surplus.

The 1992 and 1993 bonds were refinanced in 2004 to take advantage of the low interest rates. The city issued new debt in 2005 for a new building for Public Works/Water Works and the completion of the remodeling of the Phinney Office Annex.

REQUESTS FOR INFORMATION

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Assets
December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 13,191,749	\$ 1,957,464	\$ 15,149,213
Receivables:			
Taxes	5,074,681	0	5,074,681
Accounts	22,626	777,379	800,005
Intergovernmental	440,073	0	440,073
Internal Balances	(635)	635	0
Inventory of Supplies at Cost	118,982	70,187	189,169
Prepaid Items	48,922	13,970	62,892
Nondepreciable Capital Assets	72,106,471	84,087	72,190,558
Depreciable Capital Assets, Net	<u>8,931,945</u>	<u>9,525,732</u>	<u>18,457,677</u>
Total Assets	<u>99,934,814</u>	<u>12,429,454</u>	<u>112,364,268</u>
Liabilities:			
Accounts Payable	60,408	27,234	87,642
Accrued Wages and Benefits Payable	122,390	13,966	136,356
Intergovernmental Payable	135,257	524,177	659,434
Deferred Revenue	533,095	0	533,095
Accrued Interest Payable	0	3,330	3,330
Noncurrent liabilities:			
Due within one year	258,252	350,504	608,756
Due in more than one year	<u>832,164</u>	<u>1,283,086</u>	<u>2,115,250</u>
Total Liabilities	<u>1,941,566</u>	<u>2,202,297</u>	<u>4,143,863</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	81,038,416	8,084,819	89,123,235
Restricted For:			
Capital Projects	3,425,949	0	3,425,949
Other Purposes	2,112,515	0	2,112,515
Permanent Funds:			
Expendable	2,889	0	2,889
Nonexpendable	981,475	0	981,475
Unrestricted	<u>10,432,004</u>	<u>2,142,338</u>	<u>12,574,342</u>
Total Net Assets	<u>\$ 97,993,248</u>	<u>\$ 10,227,157</u>	<u>\$ 108,220,405</u>

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, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,189,282	\$ 181,576	\$ 0	\$ 0
Public Health and Welfare	92,517	3,975	0	0
Leisure Time Activities	608,186	109,278	0	0
Community Environment	1,144,792	74,189	0	0
Transportation	1,790,855	0	246,822	69,000
General Government	2,942,037	8,510	0	0
Total Governmental Activities	9,767,669	377,528	246,822	69,000
Business-Type Activities:				
Water	3,092,390	3,497,608	0	0
Total Business-Type Activities	3,092,390	3,497,608	0	0
Totals	\$ 12,860,059	\$ 3,875,136	\$ 246,822	\$ 69,000

General Revenues:

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

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,007,706)	\$ 0	\$ (3,007,706)
(88,542)	0	(88,542)
(498,908)	0	(498,908)
(1,070,603)	0	(1,070,603)
(1,475,033)	0	(1,475,033)
(2,933,527)	0	(2,933,527)
<u>(9,074,319)</u>	<u>0</u>	<u>(9,074,319)</u>
0	405,218	405,218
0	405,218	405,218
<u>(9,074,319)</u>	<u>405,218</u>	<u>(8,669,101)</u>
\$ 5,196,473	\$ 0	\$ 5,196,473
550,217	0	550,217
5,793,982	0	5,793,982
428,119	22,263	450,382
106,316	0	106,316
<u>12,075,107</u>	<u>22,263</u>	<u>12,097,370</u>
3,000,788	427,481	3,428,269
<u>94,992,460</u>	<u>9,799,676</u>	<u>104,792,136</u>
<u>\$ 97,993,248</u>	<u>\$ 10,227,157</u>	<u>\$ 108,220,405</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Balance Sheet
Governmental Funds
December 31, 2004

	General	Street Construction, Maintenance and Repair	Income Tax	Rowe Arboretum
Assets:				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,536,440	\$ 0	\$ 4,927,547	\$ 1,982,006
Receivables:				
Taxes	551,906	0	4,522,775	0
Accounts	22,437	0	0	0
Intergovernmental	328,441	103,941	0	0
Inventory of Supplies, at Cost	117,900	1,082	0	0
Prepaid Items	48,221	244	0	457
Total Assets	\$ 2,605,345	\$ 105,267	\$ 9,450,322	\$ 1,982,463
Liabilities:				
Accounts Payable	\$ 39,762	\$ 4,898	\$ 0	\$ 20
Accrued Wages and Benefits Payable	95,223	25,308	804	1,055
Intergovernmental Payable	124,509	0	0	0
Due to Other Funds	635	0	0	0
Deferred Revenue	625,047	73,932	4,317,698	0
Total Liabilities	885,176	104,138	4,318,502	1,075
Fund Balances:				
Reserved for Encumbrances	304	2,000	936	0
Reserved for Prepaid Items	48,221	244	0	457
Reserved for Supplies Inventory	117,900	1,082	0	0
Reserved for Endowments	0	0	0	0
Undesignated and Unreserved in:				
General Fund	1,553,744	0	0	0
Special Revenue Funds	0	(2,197)	5,130,884	1,980,931
Capital Projects Funds	0	0	0	0
Permanent Fund	0	0	0	0
Total Fund Balances	1,720,169	1,129	5,131,820	1,981,388
Total Liabilities and Fund Balances	\$ 2,605,345	\$ 105,267	\$ 9,450,322	\$ 1,982,463

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
\$ 3,451,389	\$ 1,294,367	\$ 13,191,749
0	0	5,074,681
189	0	22,626
0	7,691	440,073
0	0	118,982
0	0	48,922
\$ 3,451,578	\$ 1,302,058	\$ 18,897,033
\$ 15,681	\$ 47	\$ 60,408
0	0	122,390
10,748	0	135,257
0	0	635
0	5,127	5,021,804
26,429	5,174	5,340,494
143,981	0	147,221
0	0	48,922
0	0	118,982
0	981,475	981,475
0	0	1,553,744
0	311,720	7,421,338
3,281,168	800	3,281,968
0	2,889	2,889
3,425,149	1,296,884	13,556,539
\$ 3,451,578	\$ 1,302,058	\$ 18,897,033

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2004***

Total Governmental Fund Balances	\$ 13,556,539
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	81,038,416
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	4,488,709
Long-term liabilities, compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,090,416)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 97,993,248</u></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, 2004

	General	Street Construction, Maintenance and Repair	Income Tax	Rowe Arboretum
Revenues:				
Municipal Income Tax	\$ 0	\$ 0	\$ 3,763,323	\$ 0
Property and Other Taxes	547,459	0	0	0
Intergovernmental Revenues	5,791,327	215,705	0	0
Charges for Services	353,468	0	0	6,171
Licenses, Permits and Fees	6,362	0	0	0
Investment Earnings	78,109	0	0	240,103
Fines and Forfeitures	46,525	0	0	0
All Other Revenue	29,146	0	0	7,441
Total Revenue	6,852,396	215,705	3,763,323	253,715
Expenditures:				
Current:				
Security of Persons and Property	2,999,258	0	0	0
Public Health and Welfare Services	90,590	0	0	0
Leisure Time Activities	418,443	0	0	73,979
Community Environment	1,016,111	0	0	0
Transportation	0	1,093,205	0	0
General Government	2,597,319	0	116,286	0
Capital Outlay	0	0	0	18,122
Total Expenditures	7,121,721	1,093,205	116,286	92,101
Excess (Deficiency) of Revenues Over Expenditures	(269,325)	(877,500)	3,647,037	161,614
Other Financing Sources (Uses):				
Transfers In	1,000,000	870,390	0	54,500
Transfers Out	(1,461,359)	0	(1,000,000)	0
Total Other Financing Sources (Uses)	(461,359)	870,390	(1,000,000)	54,500
Net Change in Fund Balances	(730,684)	(7,110)	2,647,037	216,114
Fund Balances at Beginning of Year	2,466,634	11,647	2,484,783	1,765,274
Decrease in Inventory Reserve	(15,781)	(3,408)	0	0
Fund Balances End of Year	\$ 1,720,169	\$ 1,129	\$ 5,131,820	\$ 1,981,388

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 3,763,323
0	0	547,459
0	86,620	6,093,652
0	18	359,657
0	0	6,362
0	109,907	428,119
0	15,859	62,384
0	18,854	55,441
<u>0</u>	<u>231,258</u>	<u>11,316,397</u>
0	4,793	3,004,051
0	0	90,590
0	33,855	526,277
0	0	1,016,111
0	2,046	1,095,251
21,595	1,388	2,736,588
<u>1,566,474</u>	<u>69,000</u>	<u>1,653,596</u>
<u>1,588,069</u>	<u>111,082</u>	<u>10,122,464</u>
(1,588,069)	120,176	1,193,933
529,690	6,779	2,461,359
<u>0</u>	<u>0</u>	<u>(2,461,359)</u>
<u>529,690</u>	<u>6,779</u>	<u>0</u>
(1,058,379)	126,955	1,193,933
4,483,528	1,169,929	12,381,795
<u>0</u>	<u>0</u>	<u>(19,189)</u>
<u>\$ 3,425,149</u>	<u>\$ 1,296,884</u>	<u>\$ 13,556,539</u>

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, 2004***

Net Change in Fund Balances - Total Governmental Funds \$ 1,193,933

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 exceeded depreciation. 631,363

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (107,754)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,452,060

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. (168,814)

Change in Net Assets of Governmental Activities \$ 3,000,788

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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$ 533,900	\$ 533,900	\$ 547,459	\$ 13,559
Intergovernmental Revenue	2,463,300	4,463,300	5,909,663	1,446,363
Charges for Services	323,400	323,400	351,066	27,666
Licenses and Permits	14,200	14,200	6,362	(7,838)
Investment Earnings	240,000	240,000	154,280	(85,720)
Fines and Forfeitures	20,000	20,000	46,525	26,525
All Other Revenues	18,200	18,200	21,402	3,202
Total Revenues	<u>3,613,000</u>	<u>5,613,000</u>	<u>7,036,757</u>	<u>1,423,757</u>
Expenditures:				
Current:				
Security of Persons and Property	3,030,813	3,062,148	3,039,201	22,947
Public Health and Welfare	92,034	97,234	90,006	7,228
Leisure Time Activities	474,144	490,152	423,212	66,940
Community Environment	1,088,073	1,098,098	1,017,151	80,947
General Government	2,525,562	2,696,760	2,556,714	140,046
Total Expenditures	<u>7,210,626</u>	<u>7,444,392</u>	<u>7,126,284</u>	<u>318,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,597,626)	(1,831,392)	(89,527)	1,741,865
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	5,000	5,000	7,744	2,744
Transfers In	5,409,477	5,409,477	1,000,000	(4,409,477)
Transfers Out	(1,013,800)	(3,513,800)	(1,467,512)	2,046,288
Total Other Financing Sources (Uses):	<u>4,400,677</u>	<u>1,900,677</u>	<u>(459,768)</u>	<u>(2,360,445)</u>
Net Change in Fund Balance	803,051	69,285	(549,295)	(618,580)
Fund Balance at Beginning of Year	2,139,357	2,139,357	2,139,357	0
Prior Year Encumbrances	22,395	22,395	22,395	0
Fund Balance at End of Year	<u>\$ 2,964,803</u>	<u>\$ 2,231,037</u>	<u>\$ 1,612,457</u>	<u>\$ (618,580)</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 197,000	\$ 197,000	\$ 216,018	\$ 19,018
Total Revenues	197,000	197,000	216,018	19,018
Expenditures:				
Current:				
Transportation	1,129,050	1,138,550	1,088,408	50,142
Total Expenditures	1,129,050	1,138,550	1,088,408	50,142
Excess (Deficiency) of Revenues Over (Under) Expenditures	(932,050)	(941,550)	(872,390)	69,160
Other Financing Sources (Uses):				
Transfers In	932,050	941,550	870,390	(71,160)
Total Other Financing Sources (Uses):	932,050	941,550	870,390	(71,160)
Net Change in Fund Balance	0	0	(2,000)	(2,000)
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ (2,000)	\$ (2,000)

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 – Income Tax Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Municipal Income Tax	\$ 3,131,368	\$ 3,131,368	\$ 3,740,969	\$ 609,601
Total Revenues	3,131,368	3,131,368	3,740,969	609,601
Expenditures:				
Current:				
General Government	193,408	194,289	116,867	77,422
Total Expenditures	193,408	194,289	116,867	77,422
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,937,960	2,937,079	3,624,102	687,023
Other Financing Sources (Uses):				
Transfers Out	0	(3,500,000)	(1,000,000)	2,500,000
Total Other Financing Sources (Uses):	0	(3,500,000)	(1,000,000)	2,500,000
Net Change in Fund Balance	2,937,960	(562,921)	2,624,102	3,187,023
Fund Balance at Beginning of Year	2,301,783	2,301,783	2,301,783	0
Prior Year Encumbrances	726	726	726	0
Fund Balance at End of Year	\$ 5,240,469	\$ 1,739,588	\$ 4,926,611	\$ 3,187,023

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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 4,200	\$ 4,200	\$ 6,171	\$ 1,971
Investment Earnings	20,700	20,700	200,500	179,800
All Other Revenues	6,000	6,000	7,441	1,441
Total Revenues	30,900	30,900	214,112	183,212
Expenditures:				
Current:				
Leisure Time Activities	79,675	104,675	75,185	29,490
Capital Outlay	18,650	18,650	18,122	528
Total Expenditures	98,325	123,325	93,307	30,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,425)	(92,425)	120,805	213,230
Other Financing Sources (Uses):				
Transfers In	55,000	55,000	54,500	(500)
Total Other Financing Sources (Uses):	55,000	55,000	54,500	(500)
Net Change in Fund Balance	(12,425)	(37,425)	175,305	212,730
Fund Balance at Beginning of Year	1,211,136	1,211,136	1,211,136	0
Fund Balance at End of Year	\$ 1,198,711	\$ 1,173,711	\$ 1,386,441	\$ 212,730

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Statement of Net Assets
Proprietary Funds
December 31, 2004***

	<u>Business-Type Activities - Waterworks</u>
Assets:	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,957,464
Accounts receivable	777,379
Due from Other Funds	635
Inventory of Supplies at Cost	70,187
Prepaid Items	13,970
Total Current Assets	<u>2,819,635</u>
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	84,087
Depreciable Capital Assets, Net	<u>9,525,732</u>
Total Noncurrent Assets	<u>9,609,819</u>
Total Assets	<u>12,429,454</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	27,234
Accrued Wages and Benefits Payable	13,966
Intergovernmental Payable	524,177
Accrued Interest Payable	3,330
General Obligation Bonds Payable - Current	330,000
Compensated Absences - Current	20,504
Total Current Liabilities	<u>919,211</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable	1,195,000
Compensated Absences Payable	88,086
Total Noncurrent Liabilities	<u>1,283,086</u>
Total Liabilities	<u>2,202,297</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	8,084,819
Unrestricted	<u>2,142,338</u>
Total Net Assets	<u>\$ 10,227,157</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 Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities - Waterworks
Operating Revenues:	
Charges for Services	\$ 3,429,353
Other Operating Revenues	56,160
Total Operating Revenues	<u>3,485,513</u>
Operating Expenses:	
Personal Services	813,267
Contractual Services	1,511,242
Materials and Supplies	135,245
Utilities	189,371
Depreciation	321,328
Other Operating Expenses	28,584
Total Operating Expenses	<u>2,999,037</u>
Operating Income (Loss)	486,476
Non-Operating Revenue (Expenses):	
Other Non-Operating Revenue	12,095
Loss on Disposal of Capital Assets	(46)
Interest and Fiscal Charges	(93,307)
Investment Earnings	22,263
Total Non-Operating Revenues (Expenses)	<u>(58,995)</u>
Change in Net Assets	427,481
Net Assets Beginning of Year	<u>9,799,676</u>
Net Assets End of Year	<u>\$ 10,227,157</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities <u>Waterworks</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$3,344,850
Other Operating Cash Receipts	56,160
Cash Payments for Goods and Services	(1,867,377)
Cash Payments to Employees	<u>(807,777)</u>
Net Cash Provided by Operating Activities	<u>725,856</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(261,629)
Principal Paid on Mortgage Revenue Bond	(1,710,000)
Principal Paid on General Obligation Bond	(575,000)
Issuance of General Obligation Bond	1,525,000
Interest Paid on All Debt	<u>(77,779)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,099,408)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>22,263</u>
Net Cash Provided by Investing Activities	<u>22,263</u>
Net Decrease in Cash and Cash Equivalents	(351,289)
Cash and Cash Equivalents at Beginning of Year	<u>2,308,753</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,957,464</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$486,476
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	321,328
Miscellaneous Nonoperating Revenues	12,095
Miscellaneous Nonoperating Expenses	0
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(84,399)
Increase in Due from Other Funds	(104)
Increase in Inventory	(33,768)
Decrease in Prepaid Items	316
Decrease in Accounts Payable	(9,226)
Increase in Accrued Wages and Benefits	6,302
Increase in Intergovernmental Payable	27,431
Decrease in Compensated Absences Payable	<u>(595)</u>
Total Adjustments	<u>239,380</u>
Net Cash Provided by Operating Activities	<u><u>\$725,856</u></u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2004, the Waterworks Fund had an outstanding liability of \$5,159 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 Assets
Fiduciary Funds
December 31, 2004

	Private Purpose Trust Fund	Agency Funds	Totals
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 11,759	\$ 111,759
Total Assets	<u>100,000</u>	<u>11,759</u>	<u>111,759</u>
Liabilities:			
Intergovernmental Payable	0	2,687	2,687
Due to Others	0	9,072	9,072
Total Liabilities	<u>0</u>	<u>11,759</u>	<u>11,759</u>
Net Assets:			
Unrestricted	100,000	0	100,000
Total Net Assets	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004

	Private Purpose Trust Camp Jim B. Fund
Additions:	
Contributions:	
Public Donations	\$ 6,153
Private Donations	847
Total Additions	<u>7,000</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>7,000</u>
Total Deductions	<u>7,000</u>
Change in Net Assets	0
Net Assets at Beginning of Year	<u>100,000</u>
Net Assets End of Year	<u>\$ 100,000</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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, 2004 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, 2004

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 state levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

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

Rowe Arboretum Fund – This fund is used to account for the preservation of an array of plant specimens for horticulture study and public enjoyment.

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

Proprietary Fund

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

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

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

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is the Water 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, 2004

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.

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

C. Basis of Presentation – Financial Statements

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

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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, 2004 but which are not intended to finance 2004 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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

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

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, 2004

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 2004, 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 July, 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 2004.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

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

CITY OF THE VILLAGE OF INDIAN HILL OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balances			
	General Fund	Street Construction, Maintenance and Repair Fund	Income Tax Fund	Rowe Arboretum Fund
GAAP Basis (as reported)	(\$730,684)	(\$7,110)	\$2,647,037	\$216,114
Increase (Decrease):				
Accrued Revenues at December 31, 2004 received during 2005	(277,737)	(30,009)	(205,077)	0
Accrued Revenues at December 31, 2003 received during 2004	393,671	30,322	182,723	0
Accrued Expenditures at December 31, 2004 paid during 2005	260,129	30,206	804	1,075
Accrued Expenditures at December 31, 2003 paid during 2004	(274,844)	(23,834)	(449)	(2,239)
2003 Mark to Market Adjustment	(150)	0	0	555,962
2004 Mark to Market Adjustment	76,321	0	0	(595,565)
2003 Prepays for 2004	52,524	669	0	415
2004 Prepays for 2005	(48,221)	(244)	0	(457)
Outstanding Encumbrances	(304)	(2,000)	(936)	0
Budget Basis	<u>(\$549,295)</u>	<u>(\$2,000)</u>	<u>\$2,624,102</u>	<u>\$175,305</u>

F. Cash and Cash Equivalents

During fiscal year 2004, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

The City invested funds in STAR Ohio, Fifth Third and the Vanguard Stock Market Index Fund during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Fifth Third funds are invested in US Government Securities, stocks and bonds. According to the City's investment policy for the Rowe Arboretum Fund and the Green Areas Endowment Fund, permitted investments include stocks, corporate bonds, AA Mortgage securities, commercial paper rated A1/P1, mutual funds and restricted futures. All investments are valued at share market prices, which are the prices the investments could be sold for on December 31, 2004.

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 expenses in the proprietary fund when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

<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, 2004***

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 Bond	Waterworks Fund
Mortgage Revenue Bond	Waterworks Fund
Compensated Absences	General Fund Waterworks Fund

L. Compensated Absences

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

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

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

M. Net Assets

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

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

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

O. Interfund Transactions

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

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

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

P. Reservations of Fund Balance

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

Q. Estimates

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

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CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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

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

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

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

Capital Additions	\$1,358,091
Depreciation Expense	<u>(726,728)</u>
	\$631,363

Amount of loss on disposal of capital assets net of proceeds received:

Loss on Disposal of Capital Asset	<u>(\$107,754)</u>
	(\$107,754)

Governmental revenues not reported in the funds:

Increase in Tax Revenue	\$1,435,908
Increase in Grants Receivable	<u>16,152</u>
	\$1,452,060

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$149,625)
Decrease in Inventory	<u>(19,189)</u>
	(\$168,814)

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3 "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end the carrying amount of the City's deposits was \$126,157 and the bank balance was \$433,268. Federal depository insurance covered \$100,000 of the bank balance, and all remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	Category 1	Category 2	Fair Value
U.S. Government Securities	\$5,529,507	\$0	\$5,529,507
Corporate Stocks	0	1,733,116	1,733,116
Total Categorized Investments	5,529,507	1,733,116	7,262,623
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	6,612,888
Stock Mutual Fund	N/A	N/A	975,095
Money Market Mutual Funds	N/A	N/A	284,209
Total Investments	\$5,529,507	\$1,733,116	\$15,134,815

CITY OF THE VILLAGE OF INDIAN HILL OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per GASB Statement No. 9	\$15,260,972	\$0
U.S. Government Securities	(5,529,507)	5,529,507
Corporate Stocks	(1,733,116)	1,733,116
Stock Mutual Fund	(975,095)	975,095
Money Market Mutual Funds	(284,209)	284,209
STAR Ohio	<u>(6,612,888)</u>	<u>6,612,888</u>
Per GASB Statement No. 3	<u>\$126,157</u>	<u>\$15,134,815</u>

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, 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 1999, with an equalization adjustment in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 1, with the remainder payable by June 30.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

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

The full tax rate for all City operations for the year ended December 31, 2004 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2004 levy was based was \$651,187,680. This amount constitutes \$646,863,360 in real property assessed value, \$3,107,700 in public utility assessed value and \$1,216,620 in tangible personal property assessed value.

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

B. Income Tax

The City levies a resident income tax of .3% based upon 2004 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 30 of each year, although the City does receive some monthly and/or quarterly remittances.

For fiscal 2004, income tax collections totaled \$5,196,473.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 5 - RECEIVABLES

Receivables at December 31, 2004 consisted primarily of property, inheritance and income taxes, accounts receivable, interfund receivables and intergovernmental receivables arising from entitlement or shared revenues and grants. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred revenue.

NOTE 6 - INTERFUND BALANCES

Individual interfund balances at December 31, 2004 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$0	\$635
Enterprise Fund:		
Waterworks Fund	<u>635</u>	<u>0</u>
Totals	<u><u>\$635</u></u>	<u><u>\$635</u></u>

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$1,000,000	\$1,461,359
Street Construction, Maintenance, and Repair Fund	870,390	0
Income Tax Fund	0	1,000,000
Rowe Arboretum Fund	54,500	0
Capital Improvement Reserve Fund	529,690	0
Other Governmental Funds	<u>6,779</u>	<u>0</u>
Totals	<u><u>\$2,461,359</u></u>	<u><u>\$2,461,359</u></u>

The transfers out of the General Fund into the Street Construction, Rowe Arboretum and other funds were subsidies for operating expenditures. The transfer into the Capital Improvement Reserve Fund is a transfer of surplus general fund revenues to maintain the capital reserve.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Non-Depreciable Capital Assets:				
Land	\$71,808,479	\$0	\$0	\$71,808,479
Construction in Progress	18,471	279,521	0	297,992
Total Non-Depreciable Capital Assets	<u>71,826,950</u>	<u>279,521</u>	<u>0</u>	<u>72,106,471</u>
Depreciable Capital Assets:				
Buildings	2,569,888	36,549	0	2,606,437
Improvements Other than Buildings	1,170,281	47,087	(9,500)	1,207,868
Infrastructure	8,776,504	409,500	(196,201)	8,989,803
Machinery and Equipment	3,001,833	585,434	(206,541)	3,380,726
Total Depreciable Capital Assets	<u>15,518,506</u>	<u>1,078,570</u>	<u>(412,242)</u>	<u>16,184,834</u>
Total Cost	<u>\$87,345,456</u>	<u>\$1,358,091</u>	<u>(\$412,242)</u>	<u>\$88,291,305</u>

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$582,237)	(\$47,241)	\$0	(\$629,478)
Improvements Other than Buildings	(319,492)	(51,399)	4,433	(366,458)
Infrastructure	(4,472,874)	(275,459)	122,347	(4,625,986)
Machinery and Equipment	(1,456,046)	(352,629)	177,708	(1,630,967)
Total Depreciation	<u>(\$6,830,649)</u>	<u>(\$726,728) *</u>	<u>\$304,488</u>	<u>(\$7,252,889)</u>
Net Value:	<u>\$80,514,807</u>			<u>\$81,038,416</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	(\$71,814)
Security of Persons and Property	(84,735)
Transportation	(396,881)
Leisure Time Activities	(84,189)
Community Environment	(87,933)
Public Health and Welfare	(1,176)
Total Depreciation Expense	<u>(\$726,728)</u>

CITY OF THE VILLAGE OF INDIAN HILL OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	676,590	0	(676,590)	0
Total Non-Depreciable Capital Assets	<u>760,677</u>	<u>0</u>	<u>(676,590)</u>	<u>84,087</u>
<i>Depreciable Capital Assets:</i>				
Buildings	2,949,237	763,061	(2,942)	3,709,356
Improvements Other than Buildings	9,699,137	0	(50,288)	9,648,849
Machinery and Equipment	1,993,999	163,592	0	2,157,591
Total Depreciable Capital Assets	<u>14,642,373</u>	<u>926,653</u>	<u>(53,230)</u>	<u>15,515,796</u>
Total Cost	<u>\$15,403,050</u>	<u>\$926,653</u>	<u>(\$729,820)</u>	<u>\$15,599,883</u>

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$579,693)	(\$54,367)	\$2,895	(\$631,165)
Improvements Other than Buildings	(4,576,344)	(166,706)	50,288	(4,692,762)
Machinery and Equipment	(565,882)	(100,255)	0	(666,137)
Total Depreciation	<u>(\$5,721,919)</u>	<u>(\$321,328)</u>	<u>\$53,183</u>	<u>(\$5,990,064)</u>
<i>Net Value:</i>	<u>\$9,681,131</u>			<u>\$9,609,819</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, 2004

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (the "Ohio PERS")

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$458,010, \$429,976 and \$399,438, respectively, which were equal to the required contributions for each year.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$135,206.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures Ohio PERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$274,249, \$256,708 and \$241,376 for police, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received 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 school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$108,996 representing 7.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 10 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2004 is as follows:

		Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004	Amount Due Within One Year
Governmental Activities:						
Compensated Absences		\$984,542	\$1,090,416	(\$984,542)	\$1,090,416	\$258,252
Total Governmental Activities		<u>\$984,542</u>	<u>\$1,090,416</u>	<u>(\$984,542)</u>	<u>\$1,090,416</u>	<u>\$258,252</u>
Business-Type Activities:						
Mortgage Revenue Bond:						
2.80 -5.25%						
1993 Water Works Revenue Refunding	2009	\$1,710,000	\$0	\$ (1,710,000)	\$0	\$0
General Obligation Bonds:						
3.00-6.00%						
1992 Water Works Improvement	2012	575,000	0	(575,000)	0	0
2.00-3.45%						
2004 Water Works Systems Refunding	2009	0	1,525,000	0	1,525,000	330,000
Total General Obligation Bonds		<u>575,000</u>	<u>1,525,000</u>	<u>(575,000)</u>	<u>1,525,000</u>	<u>330,000</u>
Compensated Absences		109,185	108,590	(109,185)	108,590	20,504
Total Business-Type Activities		<u>\$2,394,185</u>	<u>\$1,633,590</u>	<u>(\$2,394,185)</u>	<u>\$1,633,590</u>	<u>\$350,504</u>

During 2004, the City refunded both the 1993 Water Works Revenue Refunding Mortgage Revenue Bond and the 1992 Water Works Improvement General Obligation Bond. By refunding both of these issues the City had an aggregate savings between the debt service requirements of the old issues and the new issue of \$660,168. The economic gain resulting from this transaction was \$161,584.

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2004 are as follows:

Years	General Obligation Bond	
	Principal	Interest
2005	\$330,000	\$39,960
2006	335,000	33,360
2007	345,000	25,822
2008	360,000	16,507
2009	155,000	5,348
Totals	<u>\$1,525,000</u>	<u>\$120,997</u>

CITY OF THE VILLAGE OF INDIAN HILL OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

B. Defeased Debt

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 of December 31, 2004, \$1,420,000 of the 1988 and 1989 series bonds is still outstanding.

NOTE 11 – GREEN AREAS LAND OWNERSHIP

The City accounts for land donated for use as green areas valued at \$46,484,236 within the Governmental Activities. The property is held in trust with various deed restrictions. In accordance with the terms of the trust agreement, this property cannot be sold or developed.

NOTE 12 - CONSTRUCTION COMMITMENTS

As of December 31, 2004, the City had the following commitments with respect to capital projects:

<u>Project</u>	<u>Commitment</u>	<u>Completion</u>
Grand Valley Site Development & Design	\$87,399	June 2005
Plantings	4,881	April 2005
Chinquapin - Storm Repair	7,800	May 2005
Phinney House - Parking Lot	43,395	June 2005
Ferdinands Field	15,837	August 2005
Total	<u>\$159,312</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, 2004

NOTE 13 - RISK MANAGEMENT

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 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2004, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2004 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	8.17 %	Montgomery	3.55 %
Bellbrook	0.00 %	Piqua	2.15 %
Blue Ash	7.08 %	Sidney	8.67 %
Centerville	0.00 %	Springdale	5.74 %
Englewood	0.00 %	Tipp City	2.28 %
Indian Hill	2.74 %	Troy	7.77 %
Kettering	16.68 %	Vandalia	5.29 %
Madeira	1.60 %	West Carrollton	4.67 %
Mason	5.76 %	Wilmington	4.75 %
Miamisburg	<u>10.65 %</u>	Wyoming	<u>2.45 %</u>
Subtotal	<u>52.68 %</u>	Subtotal	<u>47.32 %</u>
		Total	<u>100.00 %</u>

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

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

NOTE 13 - RISK MANAGEMENT (Continued)

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

Property	\$100,000,000	per occurrence
Crime / Employee Theft	1,000,000	per occurrence
Liability	7,000,000	per occurrence
Flood (Property in Zone C)	25,000,000	Aggregate
Flood (Property in Zone B)	1,000,000	Aggregate
Earthquake (Property)	25,000,000	Aggregate
Extra Expense	5,000,000	per occurrence

The deductible per occurrence is \$2,500. During 2004, MVRMA's self insured retention (SIR) limit for property was \$250,000 except boiler and machinery, which was \$5,000. The SIR for liability was \$1,000,000. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2004.

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

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

The City participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald who was paid an annual fee of \$6,483 in 2004. 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 coverages from the prior year in any category of risk. Settled claims have not exceeded commercial insurance coverages in any of the past three fiscal years.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2004

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 still outstanding on these bond issuances at December 31, 2004 is \$6,505,000. The Adjustable Rate Demand, Economic Development Revenue Bonds, series 1999, are special obligations of the City and do not represent or constitute an indebtedness of the Issuer within the meaning of the Constitution of the State of Ohio or a pledge of faith and credit or the taxing power of the Issuer, the State of Ohio or any political subdivision, municipality or other local agency. The Series 1999 Bonds, from payments provided for under a Loan Agreement with the 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.

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, 2004.

CITY OF THE VILLAGE OF INDIAN HILL OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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. The amount of net appreciation on investments of restricted endowments that is available for authorization for expenditure by the City is \$59,896 for the Green Area Maintenance/Green Area Land Acquisition Fund and \$847 for Camp Jim B.

Only the amount equal to net appreciation on the endowment capital is available for expenditure. The endowment principal is non-expendable.

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

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

To the Honorable Mayor and Members of the City Council
City of Village of Indian Hill, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City of the Village of Indian Hill, Ohio's basic financial statements and have issued our report thereon dated May 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of the Village of Indian Hill, Ohio'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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error of fraud 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated May 6, 2005.

Compliance and Other Matters

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

This report is intended for the information of management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
May 6, 2005



**Auditor of State
Betty Montgomery**

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 7, 2005**