



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, Ohio, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund and the Street Construction, Maintenance and Repair fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 23, 2015

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

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, 2014. 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 2014 are as follows:

- In total, net position increased \$2,446,225. Net position of governmental activities increased \$2,426,481, which represents a 1.9% increase from 2013. Net position of business-type activities increased \$19,744 from 2013.
- General revenues accounted for \$12,758,500 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,272,500 or 33% of total revenues of \$19,031,000.
- The City had \$11,598,480 in expenses related to governmental activities; only \$1,288,948 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily shared revenues and income taxes) of \$12,736,013 were adequate to provide for these programs.
- Among major funds, the general fund had \$12,700,562 in revenues and \$8,670,065 in expenditures and \$2,946,303 in other financing uses (transfers out). The general fund's fund balance increased \$1,152,184 to \$14,952,525 for 2014. As a whole, all governmental funds increased by \$1,503,175.

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, 2014*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Unaudited

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position between December 31, 2014 and 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$32,717,800	\$31,509,392	\$4,716,616	\$5,277,795	\$37,434,416	\$36,787,187
Capital assets, Net	101,787,707	101,159,312	13,962,748	13,607,858	115,750,455	114,767,170
Total assets	<u>134,505,507</u>	<u>132,668,704</u>	<u>18,679,364</u>	<u>18,885,653</u>	<u>153,184,871</u>	<u>151,554,357</u>
Long-term debt outstanding	2,600,418	3,171,903	3,199,923	3,453,940	5,800,341	6,625,843
Other liabilities	515,447	543,974	657,207	629,223	1,172,654	1,173,197
Total liabilities	<u>3,115,865</u>	<u>3,715,877</u>	<u>3,857,130</u>	<u>4,083,163</u>	<u>6,972,995</u>	<u>7,799,040</u>
Deferred inflows of resources	<u>696,707</u>	<u>686,373</u>	<u>0</u>	<u>0</u>	<u>696,707</u>	<u>686,373</u>
Net position						
Net investment in Capital Assets	100,947,707	99,647,237	10,992,748	10,364,933	111,940,455	110,012,170
Restricted	1,758,639	1,592,224	0	0	1,758,639	1,592,224
Unrestricted	<u>27,986,589</u>	<u>27,026,993</u>	<u>3,829,486</u>	<u>4,437,557</u>	<u>31,816,075</u>	<u>31,464,550</u>
Total net position	<u>\$130,692,935</u>	<u>\$128,266,454</u>	<u>\$14,822,234</u>	<u>\$14,802,490</u>	<u>\$145,515,169</u>	<u>\$143,068,944</u>

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal years 2014 and 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services and Sales	\$451,335	\$450,351	\$4,983,552	\$4,974,836	\$5,434,887	\$5,425,187
Operating Grants and Contributions	321,613	314,842	0	0	321,613	314,842
Capital Grants and Contributions	516,000	1,459,125	0	0	516,000	1,459,125
Total Program Revenues	<u>1,288,948</u>	<u>2,224,318</u>	<u>4,983,552</u>	<u>4,974,836</u>	<u>6,272,500</u>	<u>7,199,154</u>
General Revenues:						
Municipal Income Taxes	10,785,152	12,386,801	0	0	10,785,152	12,386,801
Property Taxes	708,539	709,043	0	0	708,539	709,043
Shared Revenues	260,380	2,904,282	0	0	260,380	2,904,282
Investment Earnings	715,560	1,008,346	22,487	16,561	738,047	1,024,907
Miscellaneous	266,382	257,111	0	0	266,382	257,111
Total General Revenues	<u>12,736,013</u>	<u>17,265,583</u>	<u>22,487</u>	<u>16,561</u>	<u>12,758,500</u>	<u>17,282,144</u>
Total Revenues	14,024,961	19,489,901	5,006,039	4,991,397	19,031,000	24,481,298
Program Expenses						
Security of Persons and Property	4,666,204	4,514,078	0	0	4,666,204	4,514,078
Public Health and Welfare Services	82,077	79,358	0	0	82,077	79,358
Leisure Time Activities	1,141,135	1,077,470	0	0	1,141,135	1,077,470
Community Environment	1,691,497	1,740,637	0	0	1,691,497	1,740,637
Transportation	2,106,754	1,981,169	0	0	2,106,754	1,981,169
General Government	1,867,857	2,055,738	0	0	1,867,857	2,055,738
Interest and Fiscal Charges	42,956	62,405	0	0	42,956	62,405
Waterworks Fund	0	0	4,986,295	4,407,802	4,986,295	4,407,802
Total Expenses	<u>11,598,480</u>	<u>11,510,855</u>	<u>4,986,295</u>	<u>4,407,802</u>	<u>16,584,775</u>	<u>15,918,657</u>
Total Change in Net Position	2,426,481	7,979,046	19,744	583,595	2,446,225	8,562,641
Beginning Net Position	<u>128,266,454</u>	<u>120,287,408</u>	<u>14,802,490</u>	<u>14,218,895</u>	<u>143,068,944</u>	<u>134,506,303</u>
Ending Net Position	<u>\$130,692,935</u>	<u>\$128,266,454</u>	<u>\$14,822,234</u>	<u>\$14,802,490</u>	<u>\$145,515,169</u>	<u>\$143,068,944</u>

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Unaudited

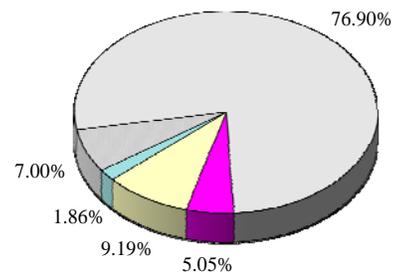
Governmental Activities

Net position of the City's governmental activities increased by \$2,426,481. This increase was primarily a result of revenues outpacing expenditures in the current year and donated capital assets.

The City receives an income tax, which is based on 0.6% of the residents' Ohio Adjusted Gross income.

Income taxes and property taxes made up 76.90% and 5.05% respectively of revenues for governmental activities for the City in fiscal year 2014. The City's reliance upon tax revenues is demonstrated by the following graph indicating 81.95% of total revenues from general tax revenues:

Revenue Sources	2014	Percent of Total
Municipal Income Taxes	\$10,785,152	76.90%
Property Taxes	708,539	5.05%
Program Revenues	1,288,948	9.19%
Shared Revenues	260,380	1.86%
General Other	981,942	7.00%
Total Revenue	\$14,024,961	100.00%



Business-Type Activities

Net position of the business-type activities increased by \$19,744. This positive change in net position was due to revenues outpacing expenses.

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$22,568,940, which is an increase of \$1,503,175 from last year's balance of \$21,065,765. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2014 and 2013:

	Fund Balance December 31, 2014	Fund Balance December 31, 2013	Increase (Decrease)
General	\$14,952,525	\$13,800,341	\$1,152,184
Street Construction, Maintenance and Repair	(21,465)	(38,709)	17,244
Capital Improvement Reserve			
Capital Projects	1,940,039	2,120,918	(180,879)
Other Governmental	5,697,841	5,183,215	514,626
Total	\$22,568,940	\$21,065,765	\$1,503,175

General Fund – The City's General Fund balance increase is the result of revenues outpacing expenditures. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2014 Revenues	2013 Revenues	Increase (Decrease)
Municipal Income Tax	\$11,018,024	\$12,270,038	(\$1,252,014)
Property and Other Taxes	719,254	701,772	17,482
Intergovernmental Revenues	267,949	2,922,233	(2,654,284)
Charges for Services	364,863	346,921	17,942
Licenses and Permits	9,150	600	8,550
Investment Earnings	114,964	22,349	92,615
Fines and Forfeitures	25,373	29,351	(3,978)
All Other Revenue	180,985	175,390	5,595
Total	\$12,700,562	\$16,468,654	(\$3,768,092)

General Fund revenues in 2014 decreased approximately 22.9% compared to revenues in fiscal year 2013. The most significant factor contributing to this was the discontinuation of the estate tax which reduced the intergovernmental revenue and an unusually high 2013 income tax figure.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

	2014	2013	Increase (Decrease)
	<u>Expenditures</u>	<u>Expenditures</u>	<u></u>
Security of Persons and Property	\$4,490,630	\$4,479,313	\$11,317
Public Health and Welfare Services	83,785	78,450	5,335
Leisure Time Activities	738,184	722,730	15,454
Community Environment	1,665,120	1,566,206	98,914
General Government	<u>1,692,346</u>	<u>1,852,969</u>	<u>(160,623)</u>
Total	<u><u>\$8,670,065</u></u>	<u><u>\$8,699,668</u></u>	<u><u>(\$29,603)</u></u>

General Fund expenditures were virtually unchanged when compared to the prior year.

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 2014 the City amended its General Fund budget several times.

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2014 the City had \$115,750,455 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$101,787,707 was related to governmental activities and \$13,962,748 to business-type activities. The following table shows fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Land:			
Green Areas Land (1)	\$55,618,766	\$55,102,766	\$516,000
Land, All Other	27,307,023	27,307,023	0
Total Land	82,925,789	82,409,789	516,000
Construction In Progress	0	166,424	(166,424)
Buildings	11,554,218	11,533,218	21,000
Land Improvements	3,275,674	3,210,470	65,204
Infrastructure	12,207,479	11,930,553	276,926
Machinery and Equipment	5,147,945	4,739,725	408,220
Less: Accumulated Depreciation	(13,323,398)	(12,830,867)	(492,531)
Totals	\$101,787,707	\$101,159,312	\$628,395

	Business-Type Activities		Increase (Decrease)
	2014	2013	
Land	\$84,087	\$84,087	\$0
Construction in Progress	0	73,369	(73,369)
Buildings	5,220,586	5,272,090	(51,504)
Land Improvements	14,670,573	13,911,504	759,069
Machinery and Equipment	2,404,848	2,282,753	122,095
Less: Accumulated Depreciation	(8,417,346)	(8,015,945)	(401,401)
Totals	\$13,962,748	\$13,607,858	\$354,890

- (1) Green Area Land includes parcels that were donated or, purchased and transferred into the Green Area Trust and Recreational Fund (the Fund). Land held in the Fund has restrictions on selling or developing. The purpose of the Fund is to preserve green space, forest preserves, bridle trails, bird sanctuaries, shooting ranges, recreational and public areas within or without the Village. The value of the donated land in the Fund is the County Auditor's assessed value, which approximates fair market value at the time of the gift. The value of the purchased land in the Fund is the City's actual purchase cost. The total acreage of land in the Fund is approximately 2,816 as of December 31, 2014.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

The primary increases occurred in land and machinery and equipment under Governmental Activities. The increase in land was due to donations to green areas. The increase in machinery and equipment was due to the purchase of capital equipment. Overall, Business Type activities capital assets increased because of additions to land improvements.

Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2014, the City had \$3,810,000 in general obligation bonds outstanding, \$375,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General Obligation Bonds	\$840,000	\$1,512,075
Compensated Absences	<u>1,760,418</u>	<u>1,659,828</u>
Total Governmental Activities	<u>\$2,600,418</u>	<u>\$3,171,903</u>
Business-Type Activities:		
General Obligation Bonds	\$2,970,000	\$3,242,925
Compensated Absences	<u>229,923</u>	<u>211,015</u>
Total Business-Type Activities	<u>3,199,923</u>	<u>3,453,940</u>
Totals	<u>\$5,800,341</u>	<u>\$6,625,843</u>

Additional information on the City's long-term debt can be found in Note 11.

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

ECONOMIC FACTORS

The City of the Village of Indian Hill is located in Hamilton County in the southwest section of Ohio and approximately 10 miles northeast of Cincinnati. The City is exclusively residential with an estimated population in 2014 of 5,800. Commercial properties are restricted to entities such as churches and schools. The city is a rural area covering nearly 20 square miles with more than 3,000 acres set aside in green space.

The city maintains a strong general fund reserve balance of 20% of general fund expenditures and retains revenue flexibility as it is taxing below the maximum discretionary income tax rate of 1%. For the fiscal year ending December 31, 2014 the general fund balance increased \$1.1 million. It is expected that future general fund balances will be affected by the loss of estate tax revenue. Effective January 1, 2013 the State eliminated the estate tax and the City will no longer receive any estate tax revenue. The City had historically received a significant amount of estate tax as intergovernmental revenue from the State. The City's 2004-2013 yearly average for estate tax receipts was \$3.5 million. 2014 saw only \$21,000 in residual estate tax revenue. The City increased its income tax rate from 0.4% to 0.6% in 2013 to offset a large portion of the elimination of the estate tax receipts and the City is continuing to look at other ways to compensate for this loss in revenue.

No new debt was issued by the city in 2014, and currently there is no plan to issue any additional debt.

REQUESTS FOR INFORMATION

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 21,677,457	\$ 3,510,297	\$ 25,187,754
Receivables:			
Taxes	10,476,486	0	10,476,486
Accounts	39,927	1,067,989	1,107,916
Intergovernmental	298,154	0	298,154
Internal Balances	139	(139)	0
Inventory of Supplies at Cost	221,434	128,400	349,834
Prepaid Items	4,203	10,069	14,272
Nondepreciable Capital Assets	82,925,789	84,087	83,009,876
Depreciable Capital Assets, Net	18,861,918	13,878,661	32,740,579
Total Assets	134,505,507	18,679,364	153,184,871
Liabilities:			
Accounts Payable	66,613	24,878	91,491
Accrued Wages and Benefits Payable	73,750	9,047	82,797
Intergovernmental Payable	221,169	601,504	822,673
Claims Payable	151,941	13,098	165,039
Accrued Interest Payable	1,974	8,680	10,654
Noncurrent liabilities:			
Due within one year	591,735	212,039	803,774
Due in more than one year	2,008,683	2,987,884	4,996,567
Total Liabilities	3,115,865	3,857,130	6,972,995
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	696,707	0	696,707
Net Position:			
Net Investment in Capital Assets	100,947,707	10,992,748	111,940,455
Restricted For:			
Permanent Funds:			
Expendable	3,391	0	3,391
Nonexpendable	1,755,248	0	1,755,248
Unrestricted	27,986,589	3,829,486	31,816,075
Total Net Position	\$ 130,692,935	\$ 14,822,234	\$ 145,515,169

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, 2014

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,666,204	\$ 160,940	\$ 0	\$ 0
Public Health and Welfare	82,077	0	0	0
Leisure Time Activities	1,141,135	166,649	0	516,000
Community Environment	1,691,497	121,026	0	0
Transportation	2,106,754	0	321,613	0
General Government	1,867,857	2,720	0	0
Interest and Fiscal Charges	42,956	0	0	0
Total Governmental Activities	11,598,480	451,335	321,613	516,000
Business-Type Activities:				
Water	4,986,295	4,983,552	0	0
Total Business-Type Activities	4,986,295	4,983,552	0	0
Totals	\$ 16,584,775	\$ 5,434,887	\$ 321,613	\$ 516,000

General Revenues:

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

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,505,264)	\$ 0	\$ (4,505,264)
(82,077)	0	(82,077)
(458,486)	0	(458,486)
(1,570,471)	0	(1,570,471)
(1,785,141)	0	(1,785,141)
(1,865,137)	0	(1,865,137)
(42,956)	0	(42,956)
<u>(10,309,532)</u>	<u>0</u>	<u>(10,309,532)</u>
0	(2,743)	(2,743)
<u>0</u>	<u>(2,743)</u>	<u>(2,743)</u>
<u>(10,309,532)</u>	<u>(2,743)</u>	<u>(10,312,275)</u>
10,785,152	0	10,785,152
708,539	0	708,539
260,380	0	260,380
715,560	22,487	738,047
266,382	0	266,382
<u>12,736,013</u>	<u>22,487</u>	<u>12,758,500</u>
2,426,481	19,744	2,446,225
<u>128,266,454</u>	<u>14,802,490</u>	<u>143,068,944</u>
<u>\$ 130,692,935</u>	<u>\$ 14,822,234</u>	<u>\$ 145,515,169</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Balance Sheet
Governmental Funds
December 31, 2014

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Capital Improvement Reserve</u>
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 13,981,863	\$ 0	\$ 1,995,674
Receivables:			
Taxes	10,476,486	0	0
Accounts	39,927	0	0
Intergovernmental	139,454	146,797	0
Due from Other Funds	1,200	0	0
Inventory of Supplies, at Cost	220,504	930	0
Prepaid Items	2,067	1,849	0
Total Assets	<u>\$ 24,861,501</u>	<u>\$ 149,576</u>	<u>\$ 1,995,674</u>
Liabilities:			
Accounts Payable	\$ 57,265	\$ 6,201	\$ 1,000
Accrued Wages and Benefits Payable	60,087	12,096	0
Intergovernmental Payable	140,471	26,063	54,635
Claims Payable	120,505	28,816	0
Due to Other Funds	1,061	0	0
Total Liabilities	<u>379,389</u>	<u>73,176</u>	<u>55,635</u>
Deferred Inflows of Resources:			
Unavailable Amounts	8,832,880	97,865	0
Property Tax Levy for Next Fiscal Year	696,707	0	0
Total Deferred Inflows of Resources	<u>9,529,587</u>	<u>97,865</u>	<u>0</u>
Fund Balances:			
Nonspendable	222,571	2,779	0
Restricted	0	0	0
Committed	0	0	1,940,039
Assigned	21,016	0	0
Unassigned	14,708,938	(24,244)	0
Total Fund Balances	<u>14,952,525</u>	<u>(21,465)</u>	<u>1,940,039</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 24,861,501</u>	<u>\$ 149,576</u>	<u>\$ 1,995,674</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 5,699,920	\$ 21,677,457
0	10,476,486
0	39,927
11,903	298,154
0	1,200
0	221,434
287	4,203
\$ 5,712,110	\$ 32,718,861
\$ 2,147	\$ 66,613
1,567	73,750
0	221,169
2,620	151,941
0	1,061
6,334	514,534
7,935	8,938,680
0	696,707
7,935	9,635,387
1,755,535	1,980,885
210,783	210,783
3,731,523	5,671,562
0	21,016
0	14,684,694
5,697,841	22,568,940
\$ 5,712,110	\$ 32,718,861

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2014***

Total Governmental Fund Balances \$ 22,568,940

***Amounts reported for governmental activities in the
statement of net position are different because:***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 101,787,707

Other long-term assets are not available to pay for current-
period expenditures and therefore are reported as deferred
inflows of resources in the funds. 8,938,680

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bond Payable	(840,000)	
Compensated Absences Payable	(1,760,418)	
Accrued Interest Payable	(1,974)	(2,602,392)

Net Position of Governmental Activities \$ 130,692,935

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, 2014

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Municipal Income Tax	\$ 11,018,024	\$ 0	\$ 0
Property and Other Taxes	719,254	0	0
Intergovernmental Revenues	267,949	295,892	0
Charges for Services	364,863	0	0
Licenses, Permits and Fees	9,150	0	0
Investment Earnings	114,964	0	0
Fines and Forfeitures	25,373	0	0
All Other Revenue	180,985	0	0
Total Revenue	<u>12,700,562</u>	<u>295,892</u>	<u>0</u>
Expenditures:			
Current:			
Security of Persons and Property	4,490,630	0	0
Public Health and Welfare Services	83,785	0	0
Leisure Time Activities	738,184	0	0
Community Environment	1,665,120	0	0
Transportation	0	1,523,990	0
General Government	1,692,346	0	34,153
Capital Outlay	0	0	1,129,943
Debt Service:			
Principal Retirement	0	0	672,075
Interest and Fiscal Charges	0	0	44,708
Total Expenditures	<u>8,670,065</u>	<u>1,523,990</u>	<u>1,880,879</u>
Excess (Deficiency) of Revenues Over Expenditures	4,030,497	(1,228,098)	(1,880,879)
Other Financing Sources (Uses):			
Transfers In	0	1,246,303	1,700,000
Transfers Out	(2,946,303)	0	0
Total Other Financing Sources (Uses)	<u>(2,946,303)</u>	<u>1,246,303</u>	<u>1,700,000</u>
Net Change in Fund Balances	1,084,194	18,205	(180,879)
Fund Balances at Beginning of Year	13,800,341	(38,709)	2,120,918
Increase (Decrease) in Inventory Reserve	67,990	(961)	0
Fund Balances End of Year	<u>\$ 14,952,525</u>	<u>\$ (21,465)</u>	<u>\$ 1,940,039</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 11,018,024
0	719,254
23,991	587,832
122,154	487,017
0	9,150
600,596	715,560
3,195	28,568
11,997	192,982
761,933	13,758,387
932	4,491,562
0	83,785
242,017	980,201
0	1,665,120
562	1,524,552
2,596	1,729,095
1,200	1,131,143
0	672,075
0	44,708
247,307	12,322,241
514,626	1,436,146
0	2,946,303
0	(2,946,303)
0	0
514,626	1,436,146
5,183,215	21,065,765
0	67,029
\$ 5,697,841	\$ 22,568,940

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 1,436,146

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation.	639,319
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.	(10,924)
Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(249,426)
The repayment of principal of long-term debt consumes current financial resources of governmental funds, however it does not have any effect on net position.	672,075
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,752
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.	<u>(62,461)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 2,426,481</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)
General Fund
For the Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$ 700,000	\$ 700,000	\$ 719,254	\$ 19,254
Intergovernmental Revenue	247,900	247,900	301,372	53,472
Charges for Services	328,000	328,000	365,022	37,022
Licenses and Permits	1,000	1,000	9,150	8,150
Investment Earnings	100,000	100,000	61,380	(38,620)
Fines and Forfeitures	30,000	30,000	25,373	(4,627)
All Other Revenues	39,000	39,000	135,236	96,236
Total Revenues	<u>1,445,900</u>	<u>1,445,900</u>	<u>1,616,787</u>	<u>170,887</u>
Expenditures:				
Current:				
Security of Persons and Property	4,599,950	4,599,950	4,522,149	77,801
Public Health and Welfare	83,610	83,610	83,518	92
Leisure Time Activities	772,520	772,520	696,020	76,500
Community Environment	1,610,330	1,787,330	1,696,397	90,933
General Government	1,574,910	1,584,026	1,510,676	73,350
Total Expenditures	<u>8,641,320</u>	<u>8,827,436</u>	<u>8,508,760</u>	<u>318,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,195,420)	(7,381,536)	(6,891,973)	489,563
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	25,000	25,000	33,366	8,366
Transfers In	10,700,000	10,700,000	8,058,173	(2,641,827)
Transfers Out	(3,347,650)	(3,347,650)	(1,259,392)	2,088,258
Total Other Financing Sources (Uses):	<u>7,377,350</u>	<u>7,377,350</u>	<u>6,832,147</u>	<u>(545,203)</u>
Net Change in Fund Balance	181,930	(4,186)	(59,826)	(55,640)
Fund Balance at Beginning of Year	1,973,123	1,973,123	1,973,123	0
Prior Year Encumbrances	15,116	15,116	15,116	0
Fund Balance at End of Year	<u>\$ 2,170,169</u>	<u>\$ 1,984,053</u>	<u>\$ 1,928,413</u>	<u>\$ (55,640)</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, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 285,000	\$ 285,000	\$ 295,092	\$ 10,092
Total Revenues	285,000	285,000	295,092	10,092
Expenditures:				
Current:				
Transportation	1,605,300	1,605,650	1,541,395	64,255
Total Expenditures	1,605,300	1,605,650	1,541,395	64,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,320,300)	(1,320,650)	(1,246,303)	74,347
Other Financing Sources (Uses):				
Transfers In	1,320,650	1,320,650	1,246,303	(74,347)
Total Other Financing Sources (Uses):	1,320,650	1,320,650	1,246,303	(74,347)
Net Change in Fund Balance	350	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 350	\$ 0	\$ 0	\$ 0

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position
Proprietary Fund
December 31, 2014

	<u>Business-Type Activities - Waterworks</u>
Assets:	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,510,297
Accounts receivable	1,067,989
Due from Other Funds	1,061
Inventory of Supplies at Cost	128,400
Prepaid Items	<u>10,069</u>
Total current assets	<u>4,717,816</u>
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	84,087
Depreciable Capital Assets, Net	13,878,661
Total noncurrent assets	<u>13,962,748</u>
Total assets	<u>18,680,564</u>
Liabilities:	
Current liabilities:	
Accounts Payable	24,878
Accrued Wages and Benefits Payable	9,047
Intergovernmental Payable	601,504
Claims Payable	13,098
Due to Other Funds	1,200
Accrued Interest Payable	8,680
General Obligation Bonds Payable - Current	175,000
Compensated Absences - Current	<u>37,039</u>
Total Current Liabilities	<u>870,446</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable	2,795,000
Compensated Absences Payable	<u>192,884</u>
Total noncurrent liabilities	<u>2,987,884</u>
Total Liabilities	<u>3,858,330</u>
Net Position:	
Net Investment in Capital Assets	10,992,748
Unrestricted	<u>3,829,486</u>
Total Net Position	<u>\$ 14,822,234</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2014**

	Business-Type Activities - Waterworks
Operating Revenues:	
Charges for Services	\$ 4,885,155
Other Operating Revenues	73,125
Total Operating Revenues	<u>4,958,280</u>
Operating Expenses:	
Personal Services	970,427
Contractual Services	2,658,084
Materials and Supplies	494,924
Utilities	265,420
Depreciation	485,406
Total Operating Expenses	<u>4,874,261</u>
Operating Income	84,019
Non-Operating Revenue (Expenses):	
Other Non-Operating Revenue	25,272
Loss on Disposal of Capital Assets	(1,065)
Interest and Fiscal Charges	(110,969)
Investment Earnings	22,487
Total Non-Operating Revenues (Expenses)	<u>(64,275)</u>
Change in Net Position	19,744
Net Position Beginning of Year	<u>14,802,490</u>
Net Position End of Year	<u>\$ 14,822,234</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2014

	Business-Type Activities <u>Waterworks</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$4,853,704
Other Operating Cash Receipts	73,125
Cash Payments for Goods and Services	(3,408,629)
Cash Payments to Employees	(956,634)
Net Cash Provided by Operating Activities	<u>561,566</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(841,968)
Principal Paid on General Obligation Bond	(272,925)
Interest Paid on All Debt	(111,588)
Net Cash Used for Capital and Related Financing Activities	<u>(1,226,481)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>22,487</u>
Net Cash Provided by Investing Activities	<u>22,487</u>
Net Decrease in Cash and Cash Equivalents	(642,428)
Cash and Cash Equivalents at Beginning of Year	<u>4,152,725</u>
Cash and Cash Equivalents at End of Year	<u>\$3,510,297</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$84,019
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	485,406
Miscellaneous Nonoperating Revenues	25,272
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(55,957)
Increase in Due from Other Funds	(766)
Increase in Inventory	(27,611)
Decrease in Prepaid Items	1,885
Increase in Accounts Payable	8,916
Increase in Accrued Wages and Benefits	3,412
Increase in Intergovernmental Payable	27,739
Decrease in Claims Payable	(10,857)
Increase in Due to Other Funds	1,200
Increase in Compensated Absences Payable	18,908
Total Adjustments	<u>477,547</u>
Net Cash Provided by Operating Activities	<u>\$561,566</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Net Position
Fiduciary Funds
December 31, 2014**

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 55,161
Total Assets	<u>100,000</u>	<u>55,161</u>
Liabilities:		
Intergovernmental Payable	0	48,825
Due to Others	0	6,336
Total Liabilities	<u>0</u>	<u>\$ 55,161</u>
Net Position:		
Unrestricted	<u>100,000</u>	
Total Net Position	<u>\$ 100,000</u>	

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2014**

	Private Purpose Trust Camp Jim B. Fund
Additions:	
Contributions:	
Donations from City	\$ 6,779
Private Donations	221
Total Additions	<u>7,000</u>
Deductions:	
Community Gifts, Awards and Scholarships	7,000
Total Deductions	<u>7,000</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>100,000</u>
Net Position End of Year	<u>\$ 100,000</u>

See accompanying notes to the basic financial statements

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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, 2014 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

Proprietary Fund

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

C. Basis of Presentation – Financial Statements

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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, 2014 but which are not intended to finance 2014 operations and delinquent property taxes (recorded as revenue on full accrual basis), whose availability is indeterminate, are recorded as deferred inflows of resources.

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

E. Budgetary Process

The annual budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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 2014, all appropriations were approved as required and all funds and departments completed the year within their legally authorized appropriations.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. By October 1st of each year, the City accepts, by resolution, the tax rate as determined by the Budget Commission. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or fall short of current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2014.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balances	
	General Fund	Street Construction, Maintenance and Repair Fund
GAAP Basis (as reported)	\$1,084,194	\$18,205
Increase (Decrease):		
Accrued Revenues at December 31, 2014 received during 2015	(1,127,480)	(48,932)
Accrued Revenues at December 31, 2013 received during 2014	473,848	48,132
Accrued Expenditures at December 31, 2014 paid during 2015	379,389	73,176
Accrued Expenditures at December 31, 2013 paid during 2014	(435,740)	(89,876)
2014 Mark to Market Adjustment	(25,611)	0
2013 Mark to Market Adjustment	(27,973)	0
2014 Prepays for 2015	(2,067)	(1,849)
2013 Prepays for 2014	2,948	1,144
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(360,318)	0
Outstanding Encumbrances	(21,016)	0
Budget Basis	(\$59,826)	\$0

F. Cash and Cash Equivalents

During fiscal year 2014, 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 4, "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, 2014

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 4, "Equity in Pooled Cash, Cash Equivalents and Investments."

The City invested funds in STAR Ohio, Fifth Third and the Vanguard Stock Market Index Funds during 2014. 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, 2014.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

M. Net Position

Net position represents the difference between assets and liabilities plus deferred inflows of resources. Net position - net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Any unspent capital debt proceeds at December 31, 2014 do not reduce net investment in capital assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

O. Interfund Transactions

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

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

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

P. Fund Balance

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

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance (Continued)

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

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

Q. Estimates

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

R. Deferred Inflows of Resources

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$2,067	\$1,849	\$0	\$287	\$4,203
Supplies Inventory	220,504	930	0	0	221,434
Endowment	0	0	0	1,755,248	1,755,248
Total Nonspendable	<u>222,571</u>	<u>2,779</u>	<u>0</u>	<u>1,755,535</u>	<u>1,980,885</u>
Restricted:					
Transportation Projects	0	0	0	195,198	195,198
Court Projects	0	0	0	7,950	7,950
Law Enforcement	0	0	0	4,244	4,244
Law & Fire Department Awards	0	0	0	3,391	3,391
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>210,783</u>	<u>210,783</u>
Committed:					
Maintenance of Green Areas	0	0	0	438,276	438,276
Arboretum Operations	0	0	0	3,164,220	3,164,220
Shooting Club Operations	0	0	0	129,027	129,027
Capital Improvements	0	0	1,940,039	0	1,940,039
Total Committed	<u>0</u>	<u>0</u>	<u>1,940,039</u>	<u>3,731,523</u>	<u>5,671,562</u>
Assigned:					
Encumbrances	21,016	0	0	0	21,016
Unassigned	14,708,938	(24,244)	0	0	14,684,694
Total Fund Balances	<u>\$14,952,525</u>	<u>(\$21,465)</u>	<u>\$1,940,039</u>	<u>\$5,697,841</u>	<u>\$22,568,940</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Capital Additions	\$1,755,539
Depreciation Expense	(1,116,220)
	<u>\$639,319</u>

Governmental revenues not reported in the funds:

Decrease in Tax Revenue	(\$243,587)
Decrease in Grants Receivable	(5,839)
	<u>(\$249,426)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$129,490)
Increase in Inventory	67,029
	<u>(\$62,461)</u>

NOTE 4 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 4 – 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, 2014

NOTE 4 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

A. Deposits

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

**NOTE 4 – EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS
(Continued)**

A. Deposits (Continued)

At year end the carrying amount of the City’s deposits was \$6,158,015 and the bank balance was \$6,506,872. Federal depository insurance covered \$250,000 of the bank balance and \$6,256,872 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$6,256,872</u>
Total Balance	<u><u>\$6,256,872</u></u>

B. Investments

The City’s investments at December 31, 2014 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	Investment Maturities (in Years)		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
Fifth Third Money Market	\$26,937	N/A	\$26,937	\$0	\$0
US Bank Money Market	52,049	N/A	52,049	0	0
Vanguard Stock Market Index	1,748,868	N/A	1,748,868	0	0
US Treasury Note	9,964,776	N/A	0	8,371,581	1,593,195
STAR Ohio	3,786	AAAm ¹	3,786	0	0
FNMA	797,912	AAA ¹	0	395,988	401,924
FHLB	1,201,641	AAA ^{1,2}	0	1,201,641	0
FFCB	699,172	AAA ^{1,2}	0	699,172	0
FHLMC	1,296,601	AAA ^{1,2}	0	902,477	394,124
Ohio Build America Bonds	251,418	AAA ^{1,2}	251,418	0	0
Common Stock	3,141,740	N/A	0	0	0
Total Investments	<u>\$19,184,900</u>		<u>\$2,083,058</u>	<u>\$11,570,859</u>	<u>\$2,389,243</u>

¹ Standard & Poor’s

² Moody’s Investor Service

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 51.94% are in US Treasury Notes, .02% is in STAR Ohio, 4.16% are FNMA, 6.26% are FHLB, 3.64% are FFCB, 6.76% are FHLMC, 1.31% are Ohio Build America Bonds, 16.38% are in corporate stocks and bonds (all endowment monies) and 9.53% are in money market accounts.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	Equity in Pooled Cash, Cash Equivalents and Investments	Investments
Per Financial Statements	\$25,342,915	\$0
Investments:		
STAR Ohio	(3,786)	3,786
Fifth Third Money Market	(26,937)	26,937
US Bank Money Market	(52,049)	52,049
Vanguard Stock Market Index	(1,748,868)	1,748,868
US Treasury Notes	(9,964,776)	9,964,776
FNMA	(797,912)	797,912
FHLB	(1,201,641)	1,201,641
FFCB	(699,172)	699,172
FHLMC	(1,296,601)	1,296,601
Ohio Build America Bonds	(251,418)	251,418
Common Stock	(3,141,740)	3,141,740
Per GASB Statement No. 3	\$6,158,015	\$19,184,900

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 5 - 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 2014 were levied after October 1, 2013 on assessed values as of January 1, 2013, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011 and the last equalization adjustment was completed in 2014. Real property taxes are payable annually or semi-annually. The first payment is due January 1, with the remainder payable by June 30.

Tangible personal property tax revenues received in 2014 (other than public utility property) represent the collection of 2014 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2014 were levied after October 1, 2013 on values as of December 31, 2013. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2014 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2014 levy was based was \$848,868,790. This amount constitutes \$846,292,160 in real property assessed value, \$2,576,630 in public utility assessed value.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a resident income tax of .6% based upon 2014 Ohio Adjusted Gross Income. No reciprocal credit is recognized for residents who may be employed in other municipalities. The majority of returns are filed annually, on April 15 of each year, although the City does receive some monthly and/or quarterly remittances.

For fiscal 2014, income tax revenue on the full accrual basis totaled \$10,785,152.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014 consisted primarily of property, estate and income taxes, accounts receivable and intergovernmental receivables arising from entitlement or shared revenues and grants. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred inflows of resources.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2014:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$2,946,303
Street Construction, Maintenance, and Repair Fund	1,246,303	0
Capital Improvement Reserve Fund	<u>1,700,000</u>	<u>0</u>
Total Governmental Funds	<u><u>\$2,946,303</u></u>	<u><u>\$2,946,303</u></u>

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2014:

Historical Cost:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Non-Depreciable Capital Assets:</i>				
Green Areas Land	\$55,102,766	\$516,000	\$0	\$55,618,766
Land, All Other	27,307,023	0	0	27,307,023
Construction in Progress	166,424	0	(166,424)	0
Total Non-Depreciable Capital Assets	<u>82,576,213</u>	<u>516,000</u>	<u>(166,424)</u>	<u>82,925,789</u>
<i>Depreciable Capital Assets:</i>				
Buildings	11,533,218	21,000	0	11,554,218
Improvements Other than Buildings	3,210,470	65,204	0	3,275,674
Infrastructure	11,930,553	438,500	(161,574)	12,207,479
Machinery and Equipment	4,739,725	881,259	(473,039)	5,147,945
Total Depreciable Capital Assets	<u>31,413,966</u>	<u>1,405,963</u>	<u>(634,613)</u>	<u>32,185,316</u>
Total Cost	<u>\$113,990,179</u>	<u>\$1,921,963</u>	<u>(\$801,037)</u>	<u>\$115,111,105</u>

Accumulated Depreciation:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Buildings	(\$1,655,301)	(\$204,415)	\$0	(\$1,859,716)
Improvements Other than Buildings	(1,395,328)	(136,906)	0	(1,532,234)
Infrastructure	(6,629,833)	(411,000)	158,025	(6,882,808)
Machinery and Equipment	(3,150,405)	(363,899)	465,664	(3,048,640)
Total Depreciation	<u>(\$12,830,867)</u>	<u>(\$1,116,220) *</u>	<u>\$623,689</u>	<u>(\$13,323,398)</u>
<i>Net Value:</i>	<u>\$101,159,312</u>			<u>\$101,787,707</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	(\$138,789)
Security of Persons and Property	(111,248)
Transportation	(643,679)
Leisure Time Activities	(144,774)
Community Environment	(77,730)
Total Depreciation Expense	<u>(\$1,116,220)</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2014:

Historical Cost:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	73,369	0	(73,369)	0
Total Non-Depreciable Capital Assets	<u>157,456</u>	<u>0</u>	<u>(73,369)</u>	<u>84,087</u>
<i>Depreciable Capital Assets:</i>				
Buildings	5,272,090	0	(51,504)	5,220,586
Improvements Other than Buildings	13,911,504	759,069	0	14,670,573
Machinery and Equipment	2,282,753	155,661	(33,566)	2,404,848
Total Depreciable Capital Assets	<u>21,466,347</u>	<u>914,730</u>	<u>(85,070)</u>	<u>22,296,007</u>
Total Cost	<u>\$21,623,803</u>	<u>\$914,730</u>	<u>(\$158,439)</u>	<u>\$22,380,094</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2013	Additions	Deletions	December 31, 2014
Buildings	(\$1,298,889)	(\$88,894)	\$51,504	(\$1,336,279)
Improvements Other than Buildings	(5,629,089)	(258,286)	0	(5,887,375)
Machinery and Equipment	(1,087,967)	(138,226)	32,501	(1,193,692)
Total Depreciation	<u>(\$8,015,945)</u>	<u>(\$485,406)</u>	<u>\$84,005</u>	<u>(\$8,417,346)</u>
<i>Net Value:</i>	<u>\$13,607,858</u>			<u>\$13,962,748</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, 2014

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 (“OPERS”)

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2014, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 12.0% for calendar year 2014. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's contributions for pension obligations to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$491,553, \$533,171 and \$397,034, 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, 2014

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2014, 19.0% of annual covered salary for police was used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2014, 2013, and 2012 was \$336,569, \$399,927 and \$217,667 for police officers, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2014, 2013, and 2012 were \$81,925, \$41,013 and \$158,813, respectively, which were equal to the required contributions for each year.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.5% of covered payroll for police officers. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

The City's contributions for health care to the OP&F for the years ending December 31, 2014, 2013, and 2012 were \$8,857, \$77,402 and \$115,236 for police, which was equal to the required contributions for each year.

NOTE 11 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2014 is as follows:

		Balance December 31, 2013	Issued	(Retired)	Balance December 31, 2014	Amount Due Within One Year
Governmental Activities:						
General Obligation Bond:						
2.25-3.50%						
2005 Service Building	2014	\$472,075	\$0	(\$472,075)	\$0	\$0
2.00-3.00%						
2009 Administration Building	2018	1,040,000	0	(200,000)	840,000	200,000
Total General Obligation Bonds		<u>1,512,075</u>	<u>0</u>	<u>(672,075)</u>	<u>840,000</u>	<u>200,000</u>
Compensated Absences		1,659,828	1,760,418	(1,659,828)	1,760,418	391,735
Total Governmental Activities		<u><u>\$3,171,903</u></u>	<u><u>\$1,760,418</u></u>	<u><u>(\$2,331,903)</u></u>	<u><u>\$2,600,418</u></u>	<u><u>\$591,735</u></u>
Business-Type Activities:						
General Obligation Bonds:						
2.25-3.50%						
2005 Water Works Building	2014	\$102,925	\$0	(\$102,925)	\$0	\$0
2.00-4.15%						
2009 Water Works Bonds	2028	3,140,000	0	(170,000)	2,970,000	175,000
Total General Obligation Bonds		<u>3,242,925</u>	<u>0</u>	<u>(272,925)</u>	<u>2,970,000</u>	<u>175,000</u>
Compensated Absences		211,015	229,923	(211,015)	229,923	37,039
Total Business-Type Activities		<u><u>\$3,453,940</u></u>	<u><u>\$229,923</u></u>	<u><u>(\$483,940)</u></u>	<u><u>\$3,199,923</u></u>	<u><u>\$212,039</u></u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2014 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2015	\$375,000	\$127,846
2016	380,000	118,470
2017	395,000	108,020
2018	405,000	96,170
2019	195,000	84,020
2020-2024	1,060,000	320,885
2025-2028	1,000,000	104,738
Totals	<u>\$3,810,000</u>	<u>\$960,149</u>

NOTE 12 – COMPLIANCE AND ACCOUNTABILITY

The fund deficit at December 31, 2014 of \$21,465 in the Street Construction, Maintenance and Repair Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenses recognized on the cash basis. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1993 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2014, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

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

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 13 - RISK MANAGEMENT (Continued)

A. Comprehensive (Continued)

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

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

B. Medical/Surgical, Dental and Vision Insurance

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

The City participates in the program and makes payments to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially determined that \$165,039 is a good and sufficient provision for incurred by not reported claims as of December 31, 2014. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$165,039 reported at December 31, 2014, is based on an estimate provided by the Center for Local Government Board (independent advisor) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred by not reported claims, be accrued at the estimated ultimate cost of settling claims.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2013	\$365,997	\$500,023	(\$568,975)	\$297,045
2014	\$297,045	\$386,908	(\$518,914)	\$165,039

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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, 2014 is \$4,345,000. The Adjustable Rate Demand, Economic Development Revenue Bonds, series 1999, are special obligations of the City and do not represent or constitute an indebtedness of the Issuer within the meaning of the Constitution of the State of Ohio or a pledge of faith and credit or the taxing power of the Issuer, the State of Ohio or any political subdivision, municipality or other local agency. The Series 1999 Bonds, payments are provided for under a Loan Agreement with the Cincinnati Country Day School, payments are made from funds drawn under an irrevocable Letter of Credit issued by Fifth Third Bank. No covenant or agreement of any member of the City Council of the City of the Village of Indian Hill, Ohio or of any officer, agent attorney or employee of the Issuer in his or her individual capacity, nor shall any officer or employee of the Issuer executing the Bonds be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

NOTE 15 - CONTINGENCIES

The City receives financial assistance from various state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2014.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 16 – RESTRICTED ENDOWMENTS

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

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

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

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 23, 2015



Dave Yost • Auditor of State

CITY OF THE VILLAGE OF INDIAN HILL

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2015**