



Dave Yost • Auditor of State



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

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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 Road  
Cincinnati, Ohio 45242

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2015, 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, 2015, 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 thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 19, 2016

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2015    Unaudited***

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The discussion and analysis of the City of the Village of Indian Hill's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2015. 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 2015 are as follows:

- ❑ In total, net position increased \$2,610,721. Net position of governmental activities increased \$2,547,838, which represents a 2.0% increase from 2014. Net position of business-type activities increased \$62,833 from 2014.
- ❑ General revenues accounted for \$13,611,830 in revenue or 68.8% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,186,866 or 31.2% of total revenues of \$19,798,696.
- ❑ The City had \$11,990,065 in expenses related to governmental activities; only \$946,585 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily income taxes) of \$13,591,318 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$12,386,696 in revenues and \$8,837,009 in expenditures and \$3,648,523 in other financing uses (transfers out). The general fund's fund balance decreased \$127,454 to \$14,825,071 for 2015. As a whole, all governmental funds increased by \$694,474.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

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

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2015 Unaudited***

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### **Government-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

### **Management's Discussion and Analysis For the Year Ended December 31, 2015 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, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$34,587,274	\$32,717,800	\$5,016,391	\$4,716,616	\$39,603,665	\$37,434,416
Capital assets, Net	102,061,825	101,787,707	13,567,141	13,962,748	115,628,966	115,750,455
Total assets	136,649,099	134,505,507	18,583,532	18,679,364	155,232,631	153,184,871
Deferred outflows of resources	1,090,827	729,315	124,987	86,975	1,215,814	816,290
Net Pension Liability	7,366,337	7,046,130	709,522	692,781	8,075,859	7,738,911
Long-term debt outstanding	2,477,438	2,600,418	3,050,791	3,199,923	5,528,229	5,800,341
Other liabilities	203,907	515,447	656,443	657,207	860,350	1,172,654
Total liabilities	10,047,682	10,161,995	4,416,756	4,549,911	14,464,438	14,711,906
Deferred inflows of resources	768,286	696,707	12,452	0	780,738	696,707
Net position						
Net investment in Capital Assets	101,421,825	100,947,707	10,772,141	10,992,748	112,193,966	111,940,455
Restricted	1,731,190	1,758,639	0	0	1,731,190	1,758,639
Unrestricted	23,770,943	21,669,774	3,507,170	3,223,680	27,278,113	24,893,454
Total net position	<u>\$126,923,958</u>	<u>\$124,376,120</u>	<u>\$14,279,311</u>	<u>\$14,216,428</u>	<u>\$141,203,269</u>	<u>\$138,592,548</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2015    Unaudited***

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014. The net pension liability and deferred outflows reduced beginning of year net position (net) by \$6,316,815 in governmental activities and \$605,806 in business-type activities.

## CITY OF THE VILLAGE OF INDIAN HILL, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2015 Unaudited*

**Changes in Net Position** – The following table shows the changes in net position for the fiscal years 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services and Sales	\$485,958	\$451,335	\$5,216,330	\$4,983,552	\$5,702,288	\$5,434,887
Operating Grants and Contributions	320,207	321,613	0	0	320,207	321,613
Capital Grants and Contributions	140,420	516,000	23,951	0	164,371	516,000
Total Program Revenues	<u>946,585</u>	<u>1,288,948</u>	<u>5,240,281</u>	<u>4,983,552</u>	<u>6,186,866</u>	<u>6,272,500</u>
General Revenues:						
Municipal Income Taxes	12,326,436	10,785,152	0	0	12,326,436	10,785,152
Property Taxes	716,129	708,539	0	0	716,129	708,539
Shared Revenues	186,246	260,380	0	0	186,246	260,380
Investment Earnings	172,060	715,560	20,512	22,487	192,572	738,047
Miscellaneous	190,447	266,382	0	0	190,447	266,382
Total General Revenues	<u>13,591,318</u>	<u>12,736,013</u>	<u>20,512</u>	<u>22,487</u>	<u>13,611,830</u>	<u>12,758,500</u>
Total Revenues	<u>14,537,903</u>	<u>14,024,961</u>	<u>5,260,793</u>	<u>5,006,039</u>	<u>19,798,696</u>	<u>19,031,000</u>
Program Expenses						
Security of Persons and Property	4,763,020	4,666,204	0	0	4,763,020	4,666,204
Public Health and Welfare Services	83,237	82,077	0	0	83,237	82,077
Leisure Time Activities	1,204,986	1,141,135	0	0	1,204,986	1,141,135
Community Environment	1,571,363	1,691,497	0	0	1,571,363	1,691,497
Transportation	2,171,779	2,106,754	0	0	2,171,779	2,106,754
General Government	2,172,409	1,867,857	0	0	2,172,409	1,867,857
Interest and Fiscal Charges	23,271	42,956	0	0	23,271	42,956
Waterworks Fund	0	0	5,197,910	4,986,295	5,197,910	4,986,295
Total Expenses	<u>11,990,065</u>	<u>11,598,480</u>	<u>5,197,910</u>	<u>4,986,295</u>	<u>17,187,975</u>	<u>16,584,775</u>
Total Change in Net Position	2,547,838	2,426,481	62,883	19,744	2,610,721	2,446,225
Beginning Net Position, Restated	<u>124,376,120</u>	N/A	<u>14,216,428</u>	N/A	<u>138,592,548</u>	N/A
Ending Net Position	<u>\$126,923,958</u>	<u>\$124,376,120</u>	<u>\$14,279,311</u>	<u>\$14,216,428</u>	<u>\$141,203,269</u>	<u>\$138,592,548</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$729,315 for Governmental Activities and \$86,974 for Business-type Activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$755,554 for Governmental Activities and \$78,349 for Business-type Activities.

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015 Unaudited**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-type Activities
Total 2015 program expenses under GASB 68	\$11,990,065	\$5,197,910
Pension expense under GASB 68	(755,554)	(78,349)
2015 contractually required contribution	740,273	87,168
Adjusted 2015 program expenses	11,974,784	5,206,729
Total 2014 program expenses under GASB 27	11,598,480	4,986,295
Increase in program expenses not related to pension	<u>\$376,304</u>	<u>\$220,434</u>

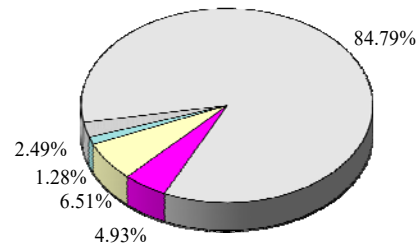
### **Governmental Activities**

Net position of the City's governmental activities increased by \$2,547,838. This increase was primarily a result of increased income tax collections.

The City receives an income tax, which is based on 0.575% of the residents' Ohio Adjusted Gross income.

Income taxes and property taxes made up 84.79% and 4.93% respectively of revenues for governmental activities for the City in fiscal year 2015. The City's reliance upon tax revenues is demonstrated by the following graph indicating 89.72% of total revenues from general tax revenues:

Revenue Sources	2015	Percent of Total
Municipal Income Taxes	\$12,326,436	84.79%
Property Taxes	716,129	4.93%
Program Revenues	946,585	6.51%
Shared Revenues	186,246	1.28%
General Other	362,507	2.49%
Total Revenue	<u>\$14,537,903</u>	<u>100.00%</u>



### **Business-Type Activities**

Net position of the business-type activities increased by \$62,883. This positive change in net position was due to revenues outpacing expenses.

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015 Unaudited**

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$23,263,414, which is an increase of \$694,474 from last year's balance of \$22,568,940. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2015 and 2014:

	Fund Balance December 31, 2015	Fund Balance December 31, 2014	Increase (Decrease)
General	\$14,825,071	\$14,952,525	(\$127,454)
Street Construction, Maintenance and Repair	19,356	(21,465)	40,821
Capital Improvement Reserve			
Capital Projects	2,839,448	1,940,039	899,409
Other Governmental	5,579,539	5,697,841	(118,302)
<b>Total</b>	<b>\$23,263,414</b>	<b>\$22,568,940</b>	<b>\$694,474</b>

*General Fund* – The City's General Fund balance decrease is predominately the result of the increased transfer to the Capital Improvement Reserve Fund to fund 2016 budgeted expenditures. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2015 Revenues	2014 Revenues	Increase (Decrease)
Municipal Income Tax	\$10,867,034	\$11,018,024	(\$150,990)
Property and Other Taxes	712,426	719,254	(6,828)
Intergovernmental Revenues	176,733	267,949	(91,216)
Charges for Services	384,137	364,863	19,274
Licenses and Permits	22,002	9,150	12,852
Investment Earnings	92,047	114,964	(22,917)
Fines and Forfeitures	24,365	25,373	(1,008)
All Other Revenue	107,952	180,985	(73,033)
<b>Total</b>	<b>\$12,386,696</b>	<b>\$12,700,562</b>	<b>(\$313,866)</b>

General Fund revenues in 2015 decreased approximately 2.5% compared to revenues in fiscal year 2014. The most significant factor contributing to this was a decrease in income tax collections.

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2015 Unaudited***

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	2015	2014	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$4,567,886	\$4,490,630	\$77,256
Public Health and Welfare Services	83,639	83,785	(146)
Leisure Time Activities	729,647	738,184	(8,537)
Community Environment	1,476,290	1,665,120	(188,830)
General Government	<u>1,979,547</u>	<u>1,692,346</u>	<u>287,201</u>
Total	<u><u>\$8,837,009</u></u>	<u><u>\$8,670,065</u></u>	<u><u>\$166,944</u></u>

General Fund expenditures increased 1.9% when compared to the prior year. General government expenditures accounted for the increase.

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 2015 the City amended its General Fund budget several times.

The Street Construction, Maintenance and Repair Fund final budget basis revenues did not change compared to original budget estimates and budget basis expenditures changed by \$57.

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## CITY OF THE VILLAGE OF INDIAN HILL, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2015 Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal 2015 the City had \$115,628,966 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$102,061,825 was related to governmental activities and \$13,567,141 to business-type activities. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land:			
Green Areas Land (1)	\$55,759,186	\$55,618,766	\$140,420
Land, All Other	27,312,023	27,307,023	5,000
Total Land	<u>83,071,209</u>	<u>82,925,789</u>	<u>145,420</u>
Construction In Progress	62,045	0	62,045
Buildings	11,564,718	11,554,218	10,500
Land Improvements	3,285,999	3,275,674	10,325
Infrastructure	12,738,830	12,207,479	531,351
Machinery and Equipment	5,359,699	5,147,945	211,754
Less: Accumulated Depreciation	<u>(14,020,675)</u>	<u>(13,323,398)</u>	<u>(697,277)</u>
Totals	<u>\$102,061,825</u>	<u>\$101,787,707</u>	<u>\$274,118</u>

	Business-Type Activities		Increase (Decrease)
	2015	2014	
Land	\$84,087	\$84,087	\$0
Construction in Progress	64,115	0	64,115
Buildings	5,272,090	5,220,586	51,504
Land Improvements	14,619,069	14,670,573	(51,504)
Machinery and Equipment	2,387,440	2,404,848	(17,408)
Less: Accumulated Depreciation	<u>(8,859,660)</u>	<u>(8,417,346)</u>	<u>(442,314)</u>
Totals	<u>\$13,567,141</u>	<u>\$13,962,748</u>	<u>(\$395,607)</u>

- (1) Green Area Land includes parcels that were donated or, purchased and transferred into the Green Area Trust and Recreational Fund (the Fund). Land held in the Fund has restrictions on selling or developing. The purpose of the Fund is to preserve green space, forest preserves, bridle trails, bird sanctuaries, shooting ranges, recreational and public areas within or without the Village. The value of the donated land in the Fund is the County Auditor's assessed value, which approximates fair market value at the time of the gift. The value of the purchased land in the Fund is the City's actual purchase cost. The total acreage of land in the Fund is approximately 2,818 as of December 31, 2015.

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2015 Unaudited***

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The primary increases occurred in infrastructure and machinery and equipment under Governmental Activities. The increase in infrastructure was due to 2015 street resurfacing projects. The increase in machinery and equipment was due to the purchase of capital equipment. Overall, Business Type activities capital assets decreased because depreciation expense was greater than the amount of assets purchased in 2015.

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

### ***Debt***

At December 31, 2015, the City had \$3,435,000 in general obligation bonds outstanding, \$380,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2015 and 2014:

	<u>2015</u>	<u>Restated 2014</u>
Governmental Activities:		
General Obligation Bonds	\$640,000	\$840,000
Net Pension Liability	7,366,337	7,046,130
Compensated Absences	<u>1,837,438</u>	<u>1,760,418</u>
Total Governmental Activities	<u>\$9,843,775</u>	<u>\$9,646,548</u>
Business-Type Activities:		
General Obligation Bonds	\$2,795,000	\$2,970,000
Net Pension Liability	709,522	692,781
Compensated Absences	<u>255,791</u>	<u>229,923</u>
Total Business-Type Activities	<u>3,760,313</u>	<u>3,892,704</u>
Totals	<u>\$13,604,088</u>	<u>\$13,539,252</u>

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

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

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2015 Unaudited***

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### **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 2015 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, 2015 the general fund balance decreased \$127,000. In 2013 (tax year 2012) the City increased its income tax rate from 0.4% to 0.6% to offset a large portion of the elimination of the estate tax receipts. Due to higher than expected tax receipts, the City reduced the income tax rate in 2015 (tax year 2014) from 0.6% to 0.575%.

No new debt was issued by the city in 2015, 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, 2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 22,546,056	\$ 3,807,956	\$ 26,354,012
Receivables:			
Taxes	11,500,788	0	11,500,788
Accounts	41,233	1,067,824	1,109,057
Intergovernmental	302,920	440	303,360
Internal Balances	(1,051)	1,051	0
Inventory of Supplies at Cost	192,874	130,850	323,724
Prepaid Items	4,454	8,270	12,724
Nondepreciable Capital Assets	83,133,254	148,202	83,281,456
Depreciable Capital Assets, Net	18,928,571	13,418,939	32,347,510
<b>Total Assets</b>	<b>136,649,099</b>	<b>18,583,532</b>	<b>155,232,631</b>
<b>Deferred Outflows of Resources:</b>			
Pension	1,090,827	124,987	1,215,814
<b>Liabilities:</b>			
Accounts Payable	46,978	24,831	71,809
Accrued Wages and Benefits Payable	97,363	13,890	111,253
Intergovernmental Payable	58,009	609,407	667,416
Accrued Interest Payable	1,557	8,315	9,872
Noncurrent liabilities:			
Due within one year	704,832	207,583	912,415
Due in more than one year:			
Net Pension Liability	7,366,337	709,522	8,075,859
Other Amounts Due in More Than One Year	1,772,606	2,843,208	4,615,814
<b>Total Liabilities</b>	<b>10,047,682</b>	<b>4,416,756</b>	<b>14,464,438</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Year	711,700	0	711,700
Pension	56,586	12,452	69,038
<b>Total Deferred Inflows of Resources</b>	<b>768,286</b>	<b>12,452</b>	<b>780,738</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	101,421,825	10,772,141	112,193,966
Restricted For:			
Permanent Funds:			
Expendable	3,395	0	3,395
Nonexpendable	1,727,795	0	1,727,795
Unrestricted	23,770,943	3,507,170	27,278,113
<b>Total Net Position</b>	<b>\$ 126,923,958</b>	<b>\$ 14,279,311</b>	<b>\$ 141,203,269</b>

See accompanying notes to the basic financial statements

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

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**Statement of Activities**  
**For the Year Ended December 31, 2015**

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	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 4,763,020	\$ 172,028	\$ 0	\$ 0
Public Health and Welfare	83,237	0	0	0
Leisure Time Activities	1,204,986	168,187	0	140,420
Community Environment	1,571,363	142,633	0	0
Transportation	2,171,779	0	320,207	0
General Government	2,172,409	3,110	0	0
Interest and Fiscal Charges	23,271	0	0	0
<b>Total Governmental Activities</b>	<b>11,990,065</b>	<b>485,958</b>	<b>320,207</b>	<b>140,420</b>
<b>Business-Type Activities:</b>				
Water	5,197,910	5,216,330	0	23,951
<b>Total Business-Type Activities</b>	<b>5,197,910</b>	<b>5,216,330</b>	<b>0</b>	<b>23,951</b>
<b>Totals</b>	<b>\$ 17,187,975</b>	<b>\$ 5,702,288</b>	<b>\$ 320,207</b>	<b>\$ 164,371</b>

**General Revenues:**

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

Change in Net Position

Net Position Beginning of Year, Restated

Net Position End of Year

See accompanying notes to the basic financial statements

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

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Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,590,992)	\$ 0	\$ (4,590,992)
(83,237)	0	(83,237)
(896,379)	0	(896,379)
(1,428,730)	0	(1,428,730)
(1,851,572)	0	(1,851,572)
(2,169,299)	0	(2,169,299)
(23,271)	0	(23,271)
<u>(11,043,480)</u>	<u>0</u>	<u>(11,043,480)</u>
0	42,371	42,371
<u>0</u>	<u>42,371</u>	<u>42,371</u>
<u>(11,043,480)</u>	<u>42,371</u>	<u>(11,001,109)</u>
12,326,436	0	12,326,436
716,129	0	716,129
186,246	0	186,246
172,060	20,512	192,572
190,447	0	190,447
<u>13,591,318</u>	<u>20,512</u>	<u>13,611,830</u>
2,547,838	62,883	2,610,721
<u>124,376,120</u>	<u>14,216,428</u>	<u>138,592,548</u>
<u>\$ 126,923,958</u>	<u>\$ 14,279,311</u>	<u>\$ 141,203,269</u>

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

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**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

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	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 14,121,362	\$ 0	\$ 2,844,590
Receivables:			
Taxes	11,500,788	0	0
Accounts	40,678	0	0
Intergovernmental	146,451	144,734	0
Inventory of Supplies, at Cost	191,886	988	0
Prepaid Items	4,247	129	0
<b>Total Assets</b>	<b>\$ 26,005,412</b>	<b>\$ 145,851</b>	<b>\$ 2,844,590</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 40,657	\$ 3,111	\$ 0
Accrued Wages and Benefits Payable	78,106	17,357	0
Intergovernmental Payable	43,329	9,538	5,142
Due to Other Funds	1,051	0	0
<b>Total Liabilities</b>	<b>163,143</b>	<b>30,006</b>	<b>5,142</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	10,305,498	96,489	0
Property Tax Levy for Next Year	711,700	0	0
<b>Total Deferred Inflows of Resources</b>	<b>11,017,198</b>	<b>96,489</b>	<b>0</b>
<b>Fund Balances:</b>			
Nonspendable	196,133	1,117	0
Restricted	0	18,239	0
Committed	1,514,280	0	2,839,448
Assigned	10,606	0	0
Unassigned	13,104,052	0	0
<b>Total Fund Balances</b>	<b>14,825,071</b>	<b>19,356</b>	<b>2,839,448</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 26,005,412</b>	<b>\$ 145,851</b>	<b>\$ 2,844,590</b>

See accompanying notes to the basic financial statements



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

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Other Governmental Funds	Total Governmental Funds
\$ 5,580,104	\$ 22,546,056
0	11,500,788
555	41,233
11,735	302,920
0	192,874
78	4,454
\$ 5,592,472	\$ 34,588,325
\$ 3,210	\$ 46,978
1,900	97,363
0	58,009
0	1,051
5,110	203,401
7,823	10,409,810
0	711,700
7,823	11,121,510
1,727,873	1,925,123
236,576	254,815
3,615,090	7,968,818
0	10,606
0	13,104,052
5,579,539	23,263,414
\$ 5,592,472	\$ 34,588,325

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

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### ***Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2015***

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<b>Total Governmental Fund Balances</b>	\$	23,263,414
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		102,061,825
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.		10,409,810
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		(6,332,096)
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	(640,000)	
Compensated Absences Payable	(1,837,438)	
Accrued Interest Payable	(1,557)	(2,478,995)
	<u>                    </u>	<u>                    </u>
<b><i>Net Position of Governmental Activities</i></b>	<b>\$</b>	<b><u>126,923,958</u></b>

See accompanying notes to the basic financial statements

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

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
<b>Revenues:</b>			
Municipal Income Tax	\$ 10,867,034	\$ 0	\$ 0
Property and Other Taxes	712,426	0	0
Intergovernmental Revenues	176,733	297,568	0
Charges for Services	384,137	0	0
Licenses, Permits and Fees	22,002	0	0
Investment Earnings	92,047	0	0
Fines and Forfeitures	24,365	0	0
All Other Revenue	107,952	0	0
<b>Total Revenue</b>	<b>12,386,696</b>	<b>297,568</b>	<b>0</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	4,567,886	0	0
Public Health and Welfare Services	83,639	0	0
Leisure Time Activities	729,647	0	0
Community Environment	1,476,290	0	0
Transportation	0	1,505,328	0
General Government	1,979,547	0	7,674
Capital Outlay	0	0	1,269,229
Debt Service:			
Principal Retirement	0	0	200,000
Interest and Fiscal Charges	0	0	23,688
<b>Total Expenditures</b>	<b>8,837,009</b>	<b>1,505,328</b>	<b>1,500,591</b>
Excess (Deficiency) of Revenues Over Expenditures	3,549,687	(1,207,760)	(1,500,591)
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	1,248,523	2,400,000
Transfers Out	(3,648,523)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(3,648,523)</b>	<b>1,248,523</b>	<b>2,400,000</b>
Net Change in Fund Balances	(98,836)	40,763	899,409
<b>Fund Balances at Beginning of Year</b>	14,952,525	(21,465)	1,940,039
Increase (Decrease) in Inventory Reserve	(28,618)	58	0
<b>Fund Balances End of Year</b>	<b>\$ 14,825,071</b>	<b>\$ 19,356</b>	<b>\$ 2,839,448</b>

See accompanying notes to the basic financial statements

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

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Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 10,867,034
0	712,426
24,127	498,428
121,681	505,818
0	22,002
80,013	172,060
6,339	30,704
9,929	117,881
242,089	12,926,353
399	4,568,285
0	83,639
332,784	1,062,431
0	1,476,290
2,172	1,507,500
2,622	1,989,843
22,414	1,291,643
0	200,000
0	23,688
360,391	12,203,319
(118,302)	723,034
0	3,648,523
0	(3,648,523)
0	0
(118,302)	723,034
5,697,841	22,568,940
0	(28,560)
\$ 5,579,539	\$ 23,263,414

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

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2015***

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Net Change in Fund Balances - Total Governmental Funds \$ 723,034

***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. 307,442

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. (33,324)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,471,130

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 740,273

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (755,554)

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. 200,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 417

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. (105,580)

***Change in Net Position of Governmental Activities*** \$ 2,547,838

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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property and Other Taxes	\$ 711,700	\$ 711,700	\$ 712,426	\$ 726
Intergovernmental Revenue	247,900	247,900	167,527	(80,373)
Charges for Services	327,000	327,000	380,598	53,598
Licenses and Permits	1,000	1,000	22,002	21,002
Investment Earnings	75,000	75,000	101,501	26,501
Fines and Forfeitures	30,000	30,000	24,365	(5,635)
All Other Revenues	40,000	40,000	69,136	29,136
Total Revenues	<u>1,432,600</u>	<u>1,432,600</u>	<u>1,477,555</u>	<u>44,955</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,792,380	4,813,930	4,663,754	150,176
Public Health and Welfare	87,470	87,470	83,468	4,002
Leisure Time Activities	795,680	795,680	731,206	64,474
Community Environment	1,642,360	1,642,360	1,523,787	118,573
General Government	1,698,976	1,743,976	1,607,204	136,772
Total Expenditures	<u>9,016,866</u>	<u>9,083,416</u>	<u>8,609,419</u>	<u>473,997</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,584,266)	(7,650,816)	(7,131,864)	518,952
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	25,000	25,000	25,594	594
Transfers In	14,223,000	14,223,000	11,477,079	(2,745,921)
Transfers Out	(3,376,070)	(3,376,070)	(2,871,156)	504,914
Advances Out	(500,000)	(500,000)	0	500,000
Total Other Financing Sources (Uses):	<u>10,371,930</u>	<u>10,371,930</u>	<u>8,631,517</u>	<u>(1,740,413)</u>
Net Change in Fund Balance	2,787,664	2,721,114	1,499,653	(1,221,461)
Fund Balance at Beginning of Year	1,928,413	1,928,413	1,928,413	0
Prior Year Encumbrances	21,016	21,016	21,016	0
Fund Balance at End of Year	<u>\$ 4,737,093</u>	<u>\$ 4,670,543</u>	<u>\$ 3,449,082</u>	<u>\$ (1,221,461)</u>

See accompanying notes to the basic financial statements

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

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**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2015**

---

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenue	\$ 285,500	\$ 285,500	\$ 298,255	\$ 12,755
Total Revenues	285,500	285,500	298,255	12,755
<b>Expenditures:</b>				
Current:				
Transportation	1,634,070	1,634,013	1,546,778	87,235
Total Expenditures	1,634,070	1,634,013	1,546,778	87,235
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,348,570)	(1,348,513)	(1,248,523)	99,990
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,349,070	1,349,070	1,248,523	(100,547)
Total Other Financing Sources (Uses):	1,349,070	1,349,070	1,248,523	(100,547)
Net Change in Fund Balance	500	557	0	(557)
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 500	\$ 557	\$ 0	\$ (557)

See accompanying notes to the basic financial statements



# CITY OF THE VILLAGE OF INDIAN HILL, OHIO

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## *Statement of Net Position Proprietary Fund December 31, 2015*

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	Business-Type Activities - Waterworks
<b>Assets:</b>	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,807,956
Accounts receivable	1,067,824
Intergovernmental receivable	440
Due from Other Funds	1,051
Inventory of Supplies at Cost	130,850
Prepaid Items	8,270
Total current assets	<u>5,016,391</u>
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	148,202
Depreciable Capital Assets, Net	13,418,939
Total noncurrent assets	<u>13,567,141</u>
Total assets	<u>18,583,532</u>
<b>Deferred Outflows of Resources:</b>	
Pension	<u>124,987</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts Payable	24,831
Accrued Wages and Benefits Payable	13,890
Intergovernmental Payable	609,407
Accrued Interest Payable	8,315
General Obligation Bonds Payable - Current	175,000
Compensated Absences - Current	32,583
Total Current Liabilities	<u>864,026</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable	2,620,000
Compensated Absences Payable	223,208
Net Pension Liability	709,522
Total noncurrent liabilities	<u>3,552,730</u>
<b>Total Liabilities</b>	<u>4,416,756</u>
<b>Deferred Inflows of Resources:</b>	
Pension	<u>12,452</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	10,772,141
Unrestricted	3,507,170
Total Net Position	<u>\$ 14,279,311</u>

See accompanying notes to the basic financial statements

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

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**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended December 31, 2015**

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	Business-Type Activities - Waterworks
<b>Operating Revenues:</b>	
Charges for Services	\$ 5,125,397
Other Operating Revenues	107,810
<b>Total Operating Revenues</b>	<u>5,233,207</u>
<b>Operating Expenses:</b>	
Personal Services	967,694
Contractual Services	3,063,760
Materials and Supplies	325,023
Utilities	232,386
Depreciation	505,254
<b>Total Operating Expenses</b>	<u>5,094,117</u>
<b>Operating Income</b>	139,090
<b>Non-Operating Revenue (Expenses):</b>	
Other Non-Operating Revenue	7,074
Interest and Fiscal Charges	(103,793)
Investment Earnings	20,512
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(76,207)</u>
<b>Change in Net Position</b>	62,883
<b>Net Position Beginning of Year, Restated</b>	<u>14,216,428</u>
<b>Net Position End of Year</b>	<u>\$ 14,279,311</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, 2015**

	Business-Type Activities <u>Waterworks</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$5,125,572
Other Operating Cash Receipts	107,810
Cash Payments for Goods and Services	(3,593,847)
Cash Payments to Employees	<u>(973,583)</u>
Net Cash Provided by Operating Activities	<u>665,952</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(109,647)
Principal Paid on General Obligation Bond	(175,000)
Interest Paid on All Debt	<u>(104,158)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(388,805)</u>
 <u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>20,512</u>
Net Cash Provided by Investing Activities	<u>20,512</u>
 Net Increase in Cash and Cash Equivalents	 297,659
Cash and Cash Equivalents at Beginning of Year	<u>3,510,297</u>
Cash and Cash Equivalents at End of Year	<u>\$3,807,956</u>
 <u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$139,090
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	505,254
Miscellaneous Nonoperating Revenues	6,634
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	165
Decrease in Due from Other Funds	10
Increase in Inventory	(2,450)
Decrease in Prepaid Items	1,799
Increase in Deferred Outflows - Pension	(124,987)
Decrease in Accounts Payable	(47)
Increase in Accrued Wages and Benefits	4,843
Increase in Intergovernmental Payable	7,903
Decrease in Claims Payable	(13,098)
Decrease in Due to Other Funds	(1,200)
Increase in Compensated Absences Payable	25,868
Increase in Deferred Inflows - Pension	12,452
Increase in Net Pension Liability	<u>103,716</u>
Total Adjustments	<u>526,862</u>
Net Cash Provided by Operating Activities	<u>\$665,952</u>

See accompanying notes to the basic financial statements

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

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**Statement of Net Position  
Fiduciary Funds  
December 31, 2015**

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	Private Purpose Trust Fund	Agency Funds
<b>Assets:</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 6,315,361
<b>Total Assets</b>	<u>100,000</u>	<u>6,315,361</u>
<b>Liabilities:</b>		
Intergovernmental Payable	0	6,309,788
Due to Others	0	5,573
<b>Total Liabilities</b>	<u>0</u>	<u>\$ 6,315,361</u>
<b>Net Position:</b>		
Unrestricted	<u>100,000</u>	
<b>Total Net Position</b>	<u>\$ 100,000</u>	

See accompanying notes to the basic financial statements

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

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**Statement of Changes in Net Position**  
**Fiduciary Fund**  
**For the Year Ended December 31, 2015**

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	Private Purpose Trust Camp Jim B. Fund
<b>Additions:</b>	
Contributions:	
Donations from City	\$ 6,744
Private Donations	256
Total Additions	<u>7,000</u>
<b>Deductions:</b>	
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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements are presented as of December 31, 2015 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

#### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*" and GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, street maintenance and repairs, building inspection, parks and recreation, wastewater, and other governmental services.

#### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

***Governmental Funds*** - Those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **B. Basis of Presentation - Fund Accounting (Continued)**

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

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

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

##### ***Proprietary Fund***

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

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

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

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



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

#### **B. Basis of Presentation - Fund Accounting (Continued)**

##### ***Fiduciary Funds***

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

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

#### **C. Basis of Presentation – Financial Statements**

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

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

#### **C. Basis of Presentation – Financial Statements (Continued)**

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **D. Basis of Accounting** (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services and miscellaneous revenue, is recorded as revenue when received in cash because it is generally not measurable until actually received.

Property taxes measurable as of December 31, 2015 but which are not intended to finance 2015 operations and delinquent property taxes (recorded as revenue on full accrual basis), whose availability is indeterminate, are recorded as deferred inflows of resources.

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

##### **E. Budgetary Process**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **E. Budgetary Process (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only the general fund and major special revenue funds are required to be reported. The legal level of budgetary control is by fund at the major object level (personal services, materials and supplies, contractual services, capital outlay, and transfers) by department. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the major object level for each department within each fund without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets. Budgetary modifications above the major object level by fund may only be made by ordinance of the City Council. During 2015, 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 2015.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

#### **E. Budgetary Process (Continued)**

##### **3. Appropriations**

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

##### **4. Lapsing of Appropriations**

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

##### **5. Budgetary Basis of Accounting**

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

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

**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)	(\$98,836)	\$40,763
Increase (Decrease):		
Accrued Revenues at December 31, 2015 received during 2016	(670,719)	(48,245)
Accrued Revenues at December 31, 2014 received during 2015	1,127,480	48,932
Accrued Expenditures at December 31, 2015 paid during 2016	163,143	30,006
Accrued Expenditures at December 31, 2014 paid during 2015	(379,389)	(73,176)
2014 Mark to Market Adjustment	25,611	0
2015 Mark to Market Adjustment	(16,157)	0
2014 Prepays for 2015	2,067	1,849
2015 Prepays for 2016	(4,247)	(129)
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	1,370,841	0
Outstanding Encumbrances	(20,141)	0
Budget Basis	\$1,499,653	\$0

**F. Cash and Cash Equivalents**

During fiscal year 2015, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in cash and cash equivalents represents the balance on hand as if each had maintained its own cash and cash investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled cash and investments to be cash equivalents. See Note 5, "Equity in Pooled Cash, Cash Equivalents and Investments."

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the City Charter. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value. The City allocates interest among the various funds based upon applicable legal and administrative requirements. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Equity in Pooled Cash, Cash Equivalents and Investments."

The City invested funds in STAR Ohio, Fifth Third and the Vanguard Stock Market Index Funds during 2015. 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, 2015.

##### **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, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

#### **J. Capital Assets and Depreciation**

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

##### **1. Property, Plant and Equipment - Governmental Activities**

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

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

##### **2. Property, Plant and Equipment – Business Type Activities**

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

##### **3. Depreciation**

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

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



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

#### **K. Long-Term Obligations**

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

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

#### **L. Compensated Absences**

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

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

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

#### **M. Net Position**

Net position represents the difference between assets and liabilities plus deferred outflows/inflows of resources. Net position - net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Any unspent capital debt proceeds at December 31, 2015 do not reduce net investment in capital assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **N. Pensions**

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

##### **O. Interfund Transactions**

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

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

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

##### **P. Fund Balance**

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

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

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

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

##### **Q. Estimates**

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

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

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**R. Deferred Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 10.

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

In 2015 the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

The implementation of GASB 68 had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business-type Activities (Waterworks)
Net Position December 31, 2014	\$130,692,935	\$14,822,234
Adjustments:		
Net Pension Liability	(7,046,130)	(692,781)
Deferred Outflows - Payments Subsequent to Measurement Date	729,315	86,975
Restated Net Position December 31, 2014	<u>\$124,376,120</u>	<u>\$14,216,428</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

**NOTE 3 – FUND BALANCE CLASSIFICATION**

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

Fund Balances	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$4,247	\$129	\$0	\$78	\$4,454
Supplies Inventory	191,886	988	0	0	192,874
Endowment	0	0	0	1,727,795	1,727,795
Total Nonspendable	<u>196,133</u>	<u>1,117</u>	<u>0</u>	<u>1,727,873</u>	<u>1,925,123</u>
Restricted:					
Transportation Projects	0	18,239	0	217,669	235,908
Court Projects	0	0	0	8,438	8,438
Law Enforcement	0	0	0	7,074	7,074
Law & Fire Department Awards	0	0	0	3,395	3,395
Total Restricted	<u>0</u>	<u>18,239</u>	<u>0</u>	<u>236,576</u>	<u>254,815</u>
Committed:					
Maintenance of Green Areas	0	0	0	440,352	440,352
Arboretum Operations	0	0	0	3,045,626	3,045,626
Shooting Club Operations	0	0	0	129,112	129,112
Retirement Payments	1,514,280	0	0	0	1,514,280
Capital Improvements	0	0	2,839,448	0	2,839,448
Total Committed	<u>1,514,280</u>	<u>0</u>	<u>2,839,448</u>	<u>3,615,090</u>	<u>7,968,818</u>
Assigned:					
Goods and Services	10,606	0	0	0	10,606
Unassigned	13,104,052	0	0	0	13,104,052
Total Fund Balances	<u>\$14,825,071</u>	<u>\$19,356</u>	<u>\$2,839,448</u>	<u>\$5,579,539</u>	<u>\$23,263,414</u>

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

Capital Additions	\$1,509,293
Depreciation Expense	(1,201,851)
	<u>\$307,442</u>

*Governmental revenues not reported in the funds:*

Increase in Tax Revenue	\$1,463,105
Increase in Grants Receivable	8,025
	<u>\$1,471,130</u>

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

Increase in Compensated Absences Payable	(\$77,020)
Decrease in Inventory	(28,560)
	<u>(\$105,580)</u>

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

#### **A. Deposits**

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



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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**A. Deposits (Continued)**

At year end the carrying amount of the City’s deposits was \$8,675,493 and the bank balance was \$9,254,617. Federal depository insurance covered \$250,000 of the bank balance and \$9,004,617 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	\$9,004,617
Total Balance	\$9,004,617

**B. Investments**

The City’s investments at December 31, 2015 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	\$65,737	N/A	\$65,737	\$0	\$0
US Bank Money Market	169,115	N/A	169,115	0	0
Vanguard Stock Market Index	1,727,794	N/A	1,727,794	0	0
US Treasury Note	10,263,430	N/A	0	9,271,695	991,735
Star Ohio	3,790	AAAm <sup>1</sup>	3,790	0	0
Negotiable C/D's	3,457,614	N/A	3,083,361	374,253	0
FNMA	1,197,660	AAA <sup>1</sup>	0	1,197,660	0
FHLB	2,539,834	AAA <sup>1,2</sup>	798,377	1,437,884	303,573
FFCB	397,952	AAA <sup>1,2</sup>	0	397,952	0
FHLMC	1,286,728	AAA <sup>1,2</sup>	0	792,288	494,440
Common Stock	2,984,226	N/A	0	0	0
Total Investments	\$24,093,880		\$5,848,174	\$13,471,732	\$1,789,748

<sup>1</sup> Standard & Poor’s

<sup>2</sup> Moody’s Investor Service

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

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

#### **NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)**

##### **B. Investments** (Continued)

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

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 42.6% are in US Treasury Notes, .02% is in STAR Ohio, 4.97% are FNMA, 10.54% are FHLB, 1.65% are FFCB, 5.34% are FHLMC, 14.35% are Negotiable C/D's, 12.39% are in corporate stocks and bonds (all endowment monies) and 8.14% 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	\$32,769,373	\$0
Investments:		
Fifth Third Money Market	(65,737)	65,737
US Bank Money Market	(169,115)	169,115
Vanguard Stock Market Index	(1,727,794)	1,727,794
US Treasury Notes	(10,263,430)	10,263,430
STAR Ohio	(3,790)	3,790
Negotiable C/D's	(3,457,614)	3,457,614
FNMA	(1,197,660)	1,197,660
FHLB	(2,539,834)	2,539,834
FFCB	(397,952)	397,952
FHLMC	(1,286,728)	1,286,728
Common Stock	(2,984,226)	2,984,226
Per GASB Statement No. 3	\$8,675,493	\$24,093,880

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 6 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2015 were levied after October 1, 2014 on assessed values as of January 1, 2014, 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 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 1, with the remainder payable by June 30.

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

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

The full tax rate for all City operations for the year ended December 31, 2015 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2015 levy was based was \$858,475,900. This amount constitutes \$855,788,040 in real property assessed value, \$2,687,860 in public utility assessed value.

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 6 - TAXES (Continued)**

**B. Income Tax**

The City levies a resident income tax of .575% based upon 2015 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 2015, income tax revenue on the full accrual basis totaled \$12,326,436.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2015 consisted primarily of property, income taxes, accounts receivable and intergovernmental receivables arising from entitlement or shared revenues and grants. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred inflows of resources.

**NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2015:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$3,648,523
Street Construction, Maintenance, and Repair Fund	1,248,523	0
Capital Improvement Reserve Fund	2,400,000	0
Total Governmental Funds	<u>\$3,648,523</u>	<u>\$3,648,523</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, 2015**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2015:

*Historical Cost:*

Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Non-Depreciable Capital Assets:</i>				
Green Areas Land	\$55,618,766	\$140,420	\$0	\$55,759,186
Land, All Other	27,307,023	5,000	0	27,312,023
Construction in Progress	0	62,045	0	62,045
Total Non-Depreciable Capital Assets	<u>82,925,789</u>	<u>207,465</u>	<u>0</u>	<u>83,133,254</u>
<i>Depreciable Capital Assets:</i>				
Buildings	11,554,218	10,500	0	11,564,718
Improvements Other than Buildings	3,275,674	10,325	0	3,285,999
Infrastructure	12,207,479	670,300	(138,949)	12,738,830
Machinery and Equipment	5,147,945	610,703	(398,949)	5,359,699
Total Depreciable Capital Assets	<u>32,185,316</u>	<u>1,301,828</u>	<u>(537,898)</u>	<u>32,949,246</u>
Total Cost	<u>\$115,111,105</u>	<u>\$1,509,293</u>	<u>(\$537,898)</u>	<u>\$116,082,500</u>

*Accumulated Depreciation:*

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Buildings	(\$1,859,716)	(\$206,381)	\$0	(\$2,066,097)
Improvements Other than Buildings	(1,532,234)	(138,271)	0	(1,670,505)
Infrastructure	(6,882,808)	(432,806)	138,949	(7,176,665)
Machinery and Equipment	(3,048,640)	(424,393)	365,625	(3,107,408)
Total Depreciation	<u>(\$13,323,398)</u>	<u>(\$1,201,851) *</u>	<u>\$504,574</u>	<u>(\$14,020,675)</u>
<i>Net Value:</i>	<u>\$101,787,707</u>			<u>\$102,061,825</u>

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

General Government	(\$136,588)
Security of Persons and Property	(121,898)
Transportation	(694,908)
Leisure Time Activities	(149,334)
Community Environment	(99,123)
Total Depreciation Expense	<u>(\$1,201,851)</u>

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

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

Summary by Category at December 31, 2015:

*Historical Cost:*

Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	0	64,115	0	64,115
Total Non-Depreciable Capital Assets	<u>84,087</u>	<u>64,115</u>	<u>0</u>	<u>148,202</u>
<i>Depreciable Capital Assets:</i>				
Buildings	5,272,090	0	0	5,272,090
Improvements Other than Buildings	14,619,069	0	0	14,619,069
Machinery and Equipment	2,404,848	45,532	(62,940)	2,387,440
Total Depreciable Capital Assets	<u>22,296,007</u>	<u>45,532</u>	<u>(62,940)</u>	<u>22,278,599</u>
Total Cost	<u>\$22,380,094</u>	<u>\$109,647</u>	<u>(\$62,940)</u>	<u>\$22,426,801</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2014	Additions	Deletions	December 31, 2015
Buildings	(\$1,387,783)	(\$88,894)	\$0	(\$1,476,677)
Improvements Other than Buildings	(5,835,871)	(263,920)	0	(6,099,791)
Machinery and Equipment	(1,193,692)	(152,440)	62,940	(1,283,192)
Total Depreciation	<u>(\$8,417,346)</u>	<u>(\$505,254)</u>	<u>\$62,940</u>	<u>(\$8,859,660)</u>
<i>Net Value:</i>	<u>\$13,962,748</u>			<u>\$13,567,141</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS**

##### ***Net Pension Liability***

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

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

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

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

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

##### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

	<u>State and Local</u>
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$478,768 for 2015.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

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

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

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	Police
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$348,673 for 2015.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$3,929,753	\$4,146,106	\$8,075,859
Proportion of the Net Pension Liability	0.032582%	0.0800342%	
Pension Expense	\$430,331	\$403,572	\$833,903

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

### **Notes to the Basic Financial Statements For the Year Ended December 31, 2015**

#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$209,680	\$178,693	\$388,373
City contributions subsequent to the measurement date	478,768	348,673	827,441
Total Deferred Outflows of Resources	\$688,448	\$527,366	\$1,215,814
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$69,038	\$0	\$69,038

\$827,441 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2016	\$20,566	\$44,673	\$65,239
2017	20,566	44,673	65,239
2018	47,091	44,673	91,764
2019	52,419	44,674	97,093
Total	\$140,642	\$178,693	\$319,335

#### **Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$7,229,620	\$3,929,753	\$1,150,470

**Actuarial Assumptions – OPF**

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$5,734,691	\$4,146,106	\$2,801,056

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug coverage, deposits to a Health Reimbursement Arrangement, 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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 11 - 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/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS 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 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's contributions for health care to the OPERS for the years ending December 31, 2015, 2014, and 2013 were \$81,959, \$81,925 and \$41,013, respectively, which were equal to the required contributions for each year.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 11 - 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](http://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% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire 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 2015, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2015, 2014, and 2013 were \$9,176, \$8,857 and \$77,402 for police which was 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, 2015**

**NOTE 12 - LONG-TERM OBLIGATIONS**

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2015 is as follows:

		Restated Balance December 31, 2014	Issued	(Retired)	Balance December 31, 2015	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bond:						
2.00-3.00%						
2009 Administration Building	2018	\$840,000	\$0	(\$200,000)	\$640,000	\$205,000
Total General Obligation Bonds		<u>840,000</u>	<u>0</u>	<u>(200,000)</u>	<u>640,000</u>	<u>205,000</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		3,148,213	72,018	0	3,220,231	0
Ohio Police and Fire Pension Fund		3,897,917	248,189	0	4,146,106	0
Total Net Pension Liability		<u>7,046,130</u>	<u>320,207</u>	<u>0</u>	<u>7,366,337</u>	<u>0</u>
Compensated Absences		1,760,418	1,837,438	(1,760,418)	1,837,438	499,832
<b>Total Governmental Activities</b>		<u>\$9,646,548</u>	<u>\$2,157,645</u>	<u>(\$1,960,418)</u>	<u>\$9,843,775</u>	<u>\$704,832</u>
<b>Business-Type Activities:</b>						
General Obligation Bonds:						
2.00-4.15%						
2009 Water Works Bonds	2028	\$2,970,000	\$0	(\$175,000)	\$2,795,000	\$175,000
Total General Obligation Bonds		<u>2,970,000</u>	<u>0</u>	<u>(175,000)</u>	<u>2,795,000</u>	<u>175,000</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		692,781	16,741	0	709,522	0
Compensated Absences		229,923	255,791	(229,923)	255,791	32,583
<b>Total Business-Type Activities</b>		<u>\$3,892,704</u>	<u>\$272,532</u>	<u>(\$404,923)</u>	<u>\$3,760,313</u>	<u>\$207,583</u>

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

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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**NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

**A. Principal and Interest Requirements**

Principal and interest requirements to retire long-term debt outstanding at December 31, 2015 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2016	\$380,000	\$118,470
2017	395,000	108,020
2018	405,000	96,170
2019	195,000	84,020
2020	200,000	78,170
2021-2025	1,095,000	283,495
2026-2028	765,000	74,738
Totals	<u>\$3,435,000</u>	<u>\$843,083</u>

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

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2015*

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#### **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, 2015, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

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

The 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 (Zones A & V)	5,000,000	per occurrence and aggregate
Flood (except Zones A & V)	25,000,000	per occurrence and 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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 13 - RISK MANAGEMENT (Continued)**

**A. Comprehensive (Continued)**

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

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

**B. Medical/Surgical, Dental and Vision Insurance**

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

The City participates in the program and makes payments to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially determined that the fund is no longer running in a deficit so the provision for incurred by not reported claims as of December 31, 2015 is \$0. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$0 reported at December 31, 2015, 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>
2014	\$297,045	\$386,908	(\$518,914)	\$165,039
2015	\$165,039	\$523,367	(\$688,406)	\$0

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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, 2015 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, 2015.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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.



*CITY OF THE VILLAGE OF INDIAN HILL, OHIO*

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*REQUIRED SUPPLEMENTAL INFORMATION*

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

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

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#### **Ohio Public Employees Retirement System**

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.032582%	0.032582%
City's proportionate share of the net pension liability (asset)	\$3,840,994	\$3,929,753
City's covered-employee payroll	\$4,101,315	\$4,018,442
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.65%	97.79%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%

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

#### **Ohio Police and Fire Pension Fund**

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0800342%	0.0800342%
City's proportionate share of the net pension liability (asset)	\$3,897,917	\$4,146,106
City's covered-employee payroll	\$2,133,879	\$1,758,295
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.67%	235.80%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

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

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

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***Schedule of City Contributions  
Last Ten Years***

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**Ohio Public Employees Retirement System**

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

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

**Ohio Police and Fire Pension Fund**

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

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

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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 Road  
Cincinnati, Ohio 45242

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 19, 2016, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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 opinions 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.

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 19, 2016