



OHIO AUDITOR OF STATE
KEITH FABER



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

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

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INDEPENDENT AUDITOR'S REPORT

The City of the Village of Indian Hill
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 Entity), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Entity'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 Entity'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 Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Indian Hill, Hamilton County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 2018, the Entity adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 29, 2019, on our consideration of the Entity'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 Entity's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 29, 2019

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

The discussion and analysis of the City of the Village of Indian Hill's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2018. 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 2018 are as follows:

- ❑ In total, net position increased \$439,359. Net position of governmental activities increased \$612,153, which represents a .5% increase from 2017. Net position of business-type activities decreased \$172,794 from 2017.
- ❑ General revenues accounted for \$14,609,425 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$7,190,628 or 33% of total revenues of \$21,800,053.
- ❑ The City had \$15,438,999 in expenses related to governmental activities; only \$1,480,313 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily income taxes) of \$14,570,839 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$10,888,386 in revenues and other financing sources and \$15,516,416 in expenditures and other financing uses. The general fund's fund balance decreased \$4,573,594, to \$15,450,492 for 2018. As a whole, all governmental funds decreased by \$3,022,290.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 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, 2018 and 2017.

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Current and other assets	\$40,045,666	\$39,207,226	\$3,435,104	\$4,872,285	\$43,480,770	\$44,079,511
Capital assets, Net	104,640,714	103,656,719	15,231,158	14,146,840	119,871,872	117,803,559
Total assets	<u>144,686,380</u>	<u>142,863,945</u>	<u>18,666,262</u>	<u>19,019,125</u>	<u>163,352,642</u>	<u>161,883,070</u>
Deferred outflows of resources	<u>2,840,867</u>	<u>3,217,729</u>	<u>281,341</u>	<u>509,687</u>	<u>3,122,208</u>	<u>3,727,416</u>
Net Pension Liability	9,352,996	10,961,754	878,699	1,297,027	10,231,695	12,258,781
Net OPEB Liability	7,516,845	6,323,341	582,209	526,198	8,099,054	6,849,539
Long-term debt outstanding	1,927,190	2,033,909	2,477,578	2,707,935	4,404,768	4,741,844
Other liabilities	261,390	296,487	639,090	696,444	900,480	992,931
Total liabilities	<u>19,058,421</u>	<u>19,615,491</u>	<u>4,577,576</u>	<u>5,227,604</u>	<u>23,635,997</u>	<u>24,843,095</u>
Deferred inflows of resources	<u>2,169,555</u>	<u>779,065</u>	<u>249,332</u>	<u>7,719</u>	<u>2,418,887</u>	<u>786,784</u>
Net position						
Net investment in Capital Assets	104,640,714	103,436,719	12,976,158	11,706,840	117,616,872	115,143,559
Restricted	2,173,815	2,032,664	0	0	2,173,815	2,032,664
Unrestricted	<u>19,484,742</u>	<u>20,217,735</u>	<u>1,144,537</u>	<u>2,586,649</u>	<u>20,629,279</u>	<u>22,804,384</u>
Total net position	<u>\$126,299,271</u>	<u>\$125,687,118</u>	<u>\$14,120,695</u>	<u>\$14,293,489</u>	<u>\$140,419,966</u>	<u>\$139,980,607</u>

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from \$131,964,708 to \$125,687,118 for Governmental Activities and from \$14,811,898 to \$14,293,489 for Business-type Activities.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal years 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services and Sales	\$457,772	\$431,539	\$5,710,315	\$5,599,495	\$6,168,087	\$6,031,034
Operating Grants and Contributions	307,701	312,789	0	0	307,701	312,789
Capital Grants and Contributions	714,840	0	0	0	714,840	0
Total Program Revenues	<u>1,480,313</u>	<u>744,328</u>	<u>5,710,315</u>	<u>5,599,495</u>	<u>7,190,628</u>	<u>6,343,823</u>
General Revenues:						
Municipal Income Taxes	12,343,682	13,730,676	0	0	12,343,682	13,730,676
Property Taxes	738,500	730,229	0	0	738,500	730,229
Shared Revenues	269,958	262,152	0	0	269,958	262,152
Investment Earnings	325,972	1,254,679	38,586	38,448	364,558	1,293,127
Miscellaneous	892,727	461,945	0	0	892,727	461,945
Total General Revenues	<u>14,570,839</u>	<u>16,439,681</u>	<u>38,586</u>	<u>38,448</u>	<u>14,609,425</u>	<u>16,478,129</u>
Total Revenues	<u>16,051,152</u>	<u>17,184,009</u>	<u>5,748,901</u>	<u>5,637,943</u>	<u>21,800,053</u>	<u>22,821,952</u>
Program Expenses						
Security of Persons and Property	6,032,875	5,355,590	0	0	6,032,875	5,355,590
Public Health and Welfare Services	111,054	106,729	0	0	111,054	106,729
Leisure Time Activities	1,635,721	1,698,542	0	0	1,635,721	1,698,542
Community Environment	1,677,901	1,659,879	0	0	1,677,901	1,659,879
Transportation	2,840,147	2,755,793	0	0	2,840,147	2,755,793
General Government	3,135,251	2,878,910	0	0	3,135,251	2,878,910
Interest and Fiscal Charges	6,050	12,512	0	0	6,050	12,512
Waterworks Fund	0	0	5,921,695	5,395,543	5,921,695	5,395,543
Total Expenses	<u>15,438,999</u>	<u>14,467,955</u>	<u>5,921,695</u>	<u>5,395,543</u>	<u>21,360,694</u>	<u>19,863,498</u>
Total Change in Net Position	612,153	2,716,054	(172,794)	242,400	439,359	2,958,454
Beginning Net Position, Restated	<u>125,687,118</u>	N/A	<u>14,293,489</u>	N/A	<u>139,980,607</u>	N/A
Ending Net Position, Restated	<u>\$126,299,271</u>	<u>\$125,687,118</u>	<u>\$14,120,695</u>	<u>\$14,293,489</u>	<u>\$140,419,966</u>	<u>\$13,980,607</u>

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$45,751 for Governmental Activities and \$7,789 for Business-type Activities computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$648,271 for Governmental Activities and \$53,960 for Business-type Activities.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

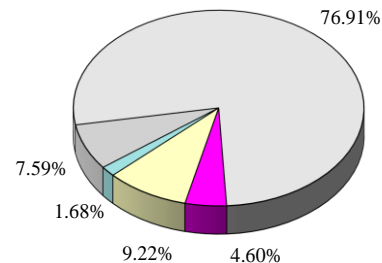
	Governmental Activities	Business-type Activities
Total 2018 program expenses under GASB 75	\$15,438,999	\$5,921,695
OPEB expense under GASB 75	(648,271)	(53,960)
2018 contractually required contribution	10,487	0
Adjusted 2018 program expenses	14,801,215	5,867,735
Total 2017 program expenses under GASB 45	14,467,955	5,395,543
Change in program expenses not related to OPEB	\$333,260	\$472,192

Net position of the City's governmental activities increased by \$612,153. This increase was primarily a result of donated land to be preserved for green space throughout the City. The increase was also due to the City's continued practice of keeping budgeted expenditures well within estimated resources.

The City receives an income tax, which is based on 0.55% of the residents' Ohio Adjusted Gross Income. Due to stable estimated reserves in future years, Village council recommended a decrease in the income tax rate from 0.55% to 0.525% beginning January 1, 2019 (2018 tax year).

Income taxes and property taxes made up 76.91% and 4.60% respectively of revenues for governmental activities for the City in fiscal year 2018. The City's reliance upon tax revenues is demonstrated by the following graph indicating 81.51% of total revenues from general tax revenues:

Revenue Sources	2018	Percent of Total
Municipal Income Taxes	\$12,343,682	76.91%
Property Taxes	738,500	4.60%
Program Revenues	1,480,313	9.22%
Shared Revenues	269,958	1.68%
General Other	1,218,699	7.59%
Total Revenue	\$16,051,152	100.00%



Business-Type Activities

Net position of the business-type activities decreased by \$172,794. This negative change in net position was due to increased operating expenses and water revenue being lower than anticipated.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018 Unaudited**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$27,102,854, which is a decrease of \$3,022,290 from last year's balance of \$30,125,144. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2018 and 2017:

	Fund Balance <u>December 31, 2018</u>	Fund Balance <u>December 31, 2017</u>	Increase <u>(Decrease)</u>
General	\$15,450,492	\$20,024,086	(\$4,573,594)
Street Construction, Maintenance and Repair	34,975	20,519	14,456
Capital Improvement Reserve	4,931,853	3,132,761	1,799,092
Other Governmental	<u>6,685,534</u>	<u>6,947,778</u>	<u>(262,244)</u>
Total	<u><u>\$27,102,854</u></u>	<u><u>\$30,125,144</u></u>	<u><u>(\$3,022,290)</u></u>

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

	2018 <u>Revenues</u>	2017 <u>Revenues</u>	Increase <u>(Decrease)</u>
Municipal Income Tax	\$8,424,484	\$14,289,625	(\$5,865,141)
Property and Other Taxes	743,064	727,039	16,025
Intergovernmental Revenues	268,602	263,116	5,486
Charges for Services	361,579	336,947	24,632
Licenses and Permits	11,925	500	11,425
Investment Earnings	373,111	130,979	242,132
Fines and Forfeitures	29,400	32,519	(3,119)
All Other Revenue	<u>648,519</u>	<u>182,560</u>	<u>465,959</u>
Total	<u><u>\$10,860,684</u></u>	<u><u>\$15,963,285</u></u>	<u><u>(\$5,102,601)</u></u>

General Fund revenues in 2018 decreased approximately 32% compared to revenues in fiscal year 2017. The most significant factor contributing to this was a decrease in income tax collections. The decrease was due to federal tax law changes in December 2017 which led to increased income tax prepayments in 2017 and decreased 2018 receipts.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

	2018	2017	Increase (Decrease)
	<u>Expenditures</u>	<u>Expenditures</u>	
Security of Persons and Property	\$5,190,026	\$4,970,851	\$219,175
Public Health and Welfare Services	103,535	99,280	4,255
Leisure Time Activities	989,754	910,570	79,184
Community Environment	1,386,934	1,249,526	137,408
General Government	<u>2,698,632</u>	<u>2,324,338</u>	<u>374,294</u>
Total	<u><u>\$10,368,881</u></u>	<u><u>\$9,554,565</u></u>	<u><u>\$814,316</u></u>

General Fund expenditures increased 8.5% when compared to the prior year. Expenditures increased across all functions.

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 2018 the City amended its General Fund budget several times.

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018 Unaudited***

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2018 the City had \$119,871,872 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$104,640,714 was related to governmental activities and \$15,231,158 to business-type activities. The following table shows fiscal year 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land:			
Green Areas Land (1)	\$56,779,207	\$56,102,256	\$676,951
Land, All Other	27,283,073	27,245,184	37,889
Total Land	<u>84,062,280</u>	<u>83,347,440</u>	<u>714,840</u>
Construction In Progress	265,626	321,255	(55,629)
Buildings	11,713,401	11,713,401	0
Land Improvements	4,568,939	4,075,562	493,377
Infrastructure	14,435,703	13,733,229	702,474
Machinery and Equipment	5,734,195	5,462,689	271,506
Less: Accumulated Depreciation	<u>(16,139,430)</u>	<u>(14,996,857)</u>	<u>(1,142,573)</u>
Totals	<u>\$104,640,714</u>	<u>\$103,656,719</u>	<u>\$983,995</u>
	Business-Type Activities		Increase (Decrease)
	2018	2017	
Land	\$84,087	\$84,087	\$0
Construction in Progress	67,917	191,846	(123,929)
Buildings	5,272,090	5,272,090	0
Land Improvements	16,047,994	15,434,516	613,478
Machinery and Equipment	3,847,145	2,772,550	1,074,595
Less: Accumulated Depreciation	<u>(10,088,075)</u>	<u>(9,608,249)</u>	<u>(479,826)</u>
Totals	<u>\$15,231,158</u>	<u>\$14,146,840</u>	<u>\$1,084,318</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 3,000 as of December 31, 2018.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

The primary increases occurred in green areas land and infrastructure under Governmental Activities. The increase in infrastructure was due to 2018 street resurfacing projects. The increase in green areas land is due to donated parcels during 2018. Overall, Business Type activities capital assets increased due to land improvement and machinery and equipment purchases.

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

Debt

At December 31, 2018, the City had \$2,255,000 in general obligation bonds outstanding, \$195,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2018 and 2017:

	<u>2018</u>	<u>Restated 2017</u>
Governmental Activities:		
General Obligation Bonds	\$0	\$220,000
Net Pension Liability	9,352,996	10,961,754
Net OPEB Liability	7,516,845	6,323,341
Compensated Absences	1,927,190	1,813,909
Total Governmental Activities	<u>\$18,797,031</u>	<u>\$19,319,004</u>
Business-Type Activities:		
General Obligation Bonds	\$2,255,000	\$2,440,000
Net Pension Liability	878,699	1,297,027
Net OPEB Liability	582,209	526,198
Compensated Absences	222,578	267,935
Total Business-Type Activities	<u>3,938,486</u>	<u>4,531,160</u>
Totals	<u>\$22,735,517</u>	<u>\$23,850,164</u>

The Net Pension Liability decrease in 2018 represents the City's proportionate share of the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OPF) unfunded benefits. Changes in pension benefits, contribution rates and return on investments affect the balance of the liability annually.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

ECONOMIC FACTORS

The City of the Village of Indian Hill is located in Hamilton County in the southwest section of Ohio and approximately 10 miles northeast of Cincinnati. The City is exclusively residential with an estimated population in 2018 of approximately 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, 2018 the general fund balance increased \$2.7 million. Due to the economic predictions for a stable market and viable estimated reserves in future years, Village Council, during its annual income tax rate review, recommended a decrease in the income tax rate from 0.55% to 0.525% beginning January 1, 2019 (2018 tax year).

No new debt was issued by the city in 2018, and currently there is no plan to issue any additional debt in 2019.

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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 26,414,552	\$ 2,105,239	\$ 28,519,791
Receivables:			
Taxes	12,957,936	0	12,957,936
Accounts Intergovernmental	50,977	1,190,697	1,241,674
Internal Balances	286,709	63	286,772
Inventory of Supplies at Cost	(890)	890	0
Prepaid Items	240,294	120,091	360,385
Nondepreciable Capital Assets	96,088	18,124	114,212
Depreciable Capital Assets, Net	84,327,906	152,004	84,479,910
Total Assets	<u>144,686,380</u>	<u>18,666,262</u>	<u>163,352,642</u>
Deferred Outflows of Resources:			
Pension	1,973,372	228,130	2,201,502
OPEB	867,495	53,211	920,706
Total Deferred Outflows of Resources	<u>2,840,867</u>	<u>281,341</u>	<u>3,122,208</u>
Liabilities:			
Accounts Payable	60,814	23,239	84,053
Accrued Wages and Benefits Payable	192,816	20,698	213,514
Intergovernmental Payable	7,760	588,151	595,911
Accrued Interest Payable	0	7,002	7,002
Noncurrent liabilities:			
Due within one year	452,972	235,303	688,275
Due in more than one year:			
Net Pension Liability	9,352,996	878,699	10,231,695
Net OPEB Liability	7,516,845	582,209	8,099,054
Other Amounts Due in More Than One Year	1,474,218	2,242,275	3,716,493
Total Liabilities	<u>19,058,421</u>	<u>4,577,576</u>	<u>23,635,997</u>
Deferred Inflows of Resources:			
Property Tax Levy for Next Year	713,992	0	713,992
Pension	1,189,539	205,961	1,395,500
OPEB	266,024	43,371	309,395
Total Deferred Inflows of Resources	<u>2,169,555</u>	<u>249,332</u>	<u>2,418,887</u>
Net Position:			
Net Investment in Capital Assets	104,640,714	12,976,158	117,616,872
Restricted For:			
Other Purposes	59,514	0	59,514
Permanent Funds:			
Expendable	3,518	0	3,518
Nonexpendable	2,110,783	0	2,110,783
Unrestricted	19,484,742	1,144,537	20,629,279
Total Net Position	<u>\$ 126,299,271</u>	<u>\$ 14,120,695</u>	<u>\$ 140,419,966</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 6,032,875	\$ 156,531	\$ 0	\$ 0
Public Health and Welfare	111,054	0	0	0
Leisure Time Activities	1,635,721	182,678	0	714,840
Community Environment	1,677,901	114,633	0	0
Transportation	2,840,147	0	307,701	0
General Government	3,135,251	3,930	0	0
Interest and Fiscal Charges	6,050	0	0	0
Total Governmental Activities	15,438,999	457,772	307,701	714,840
Business-Type Activities:				
Water	5,921,695	5,710,315	0	0
Total Business-Type Activities	5,921,695	5,710,315	0	0
Totals	\$ 21,360,694	\$ 6,168,087	\$ 307,701	\$ 714,840

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,876,344)	\$ 0	\$ (5,876,344)
(111,054)	0	(111,054)
(738,203)	0	(738,203)
(1,563,268)	0	(1,563,268)
(2,532,446)	0	(2,532,446)
(3,131,321)	0	(3,131,321)
(6,050)	0	(6,050)
<u>(13,958,686)</u>	<u>0</u>	<u>(13,958,686)</u>
0	(211,380)	(211,380)
<u>0</u>	<u>(211,380)</u>	<u>(211,380)</u>
<u>(13,958,686)</u>	<u>(211,380)</u>	<u>(14,170,066)</u>
12,343,682	0	12,343,682
738,500	0	738,500
269,958	0	269,958
325,972	38,586	364,558
892,727	0	892,727
<u>14,570,839</u>	<u>38,586</u>	<u>14,609,425</u>
612,153	(172,794)	439,359
<u>125,687,118</u>	<u>14,293,489</u>	<u>139,980,607</u>
<u>\$ 126,299,271</u>	<u>\$ 14,120,695</u>	<u>\$ 140,419,966</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Balance Sheet
Governmental Funds
December 31, 2018

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Capital Improvement Reserve</u>
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 14,782,687	\$ 0	\$ 4,941,753
Receivables:			
Taxes	12,957,936	0	0
Accounts	47,715	0	0
Intergovernmental	133,982	141,273	0
Inventory of Supplies, at Cost	238,564	1,730	0
Prepaid Items	77,897	17,356	0
Total Assets	<u>\$ 28,238,781</u>	<u>\$ 160,359</u>	<u>\$ 4,941,753</u>
Liabilities:			
Accounts Payable	\$ 38,237	\$ 3,889	\$ 9,900
Accrued Wages and Benefits Payable	162,526	26,585	0
Intergovernmental Payable	7,032	728	0
Due to Other Funds	890	0	0
Total Liabilities	<u>208,685</u>	<u>31,202</u>	<u>9,900</u>
Deferred Inflows of Resources:			
Unavailable Amounts	11,865,612	94,182	0
Property Tax Levy for Next Fiscal Year	713,992	0	0
Total Deferred Inflows of Resources	<u>12,579,604</u>	<u>94,182</u>	<u>0</u>
Fund Balances:			
Nonspendable	316,461	19,086	0
Restricted	0	15,889	0
Committed	1,541,582	0	4,931,853
Assigned	6,265	0	0
Unassigned	13,586,184	0	0
Total Fund Balances	<u>15,450,492</u>	<u>34,975</u>	<u>4,931,853</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 28,238,781</u>	<u>\$ 160,359</u>	<u>\$ 4,941,753</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 6,690,112	\$ 26,414,552
0	12,957,936
3,262	50,977
11,454	286,709
0	240,294
835	96,088
\$ 6,705,663	\$ 40,046,556
\$ 8,788	\$ 60,814
3,705	192,816
0	7,760
0	890
12,493	262,280
7,636	11,967,430
0	713,992
7,636	12,681,422
2,111,618	2,447,165
286,276	302,165
4,287,640	10,761,075
0	6,265
0	13,586,184
6,685,534	27,102,854
\$ 6,705,663	\$ 40,046,556

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2018***

Total Governmental Fund Balances \$ 27,102,854

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 104,640,714

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. 11,967,430

The net pension and OPEB liabilities are not due and payable in the
current period; therefore, the liabilities and related deferred inflows
and outflows are not reported in governmental funds. (15,484,537)

Long-term compensated absences are not due and payable
in the current period and therefore are not reported in the funds. (1,927,190)

Net Position of Governmental Activities \$ 126,299,271

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, 2018**

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
Revenues:			
Municipal Income Tax	\$ 8,424,484	\$ 0	\$ 0
Property and Other Taxes	743,064	0	0
Intergovernmental Revenues	268,602	287,023	0
Charges for Services	361,579	0	0
Licenses, Permits and Fees	11,925	0	0
Investment Earnings	373,111	0	0
Fines and Forfeitures	29,400	0	0
All Other Revenue	648,519	0	146,265
Total Revenue	<u>10,860,684</u>	<u>287,023</u>	<u>146,265</u>
Expenditures:			
Current:			
Security of Persons and Property	5,190,026	0	0
Public Health and Welfare Services	103,535	0	0
Leisure Time Activities	989,754	0	0
Community Environment	1,386,934	0	0
Transportation	0	1,694,915	0
General Government	2,698,632	0	13,657
Capital Outlay	0	0	1,831,916
Debt Service:			
Principal Retirement	0	0	220,000
Interest and Fiscal Charges	0	0	6,600
Total Expenditures	<u>10,368,881</u>	<u>1,694,915</u>	<u>2,072,173</u>
Excess (Deficiency) of Revenues Over Expenditures	491,803	(1,407,892)	(1,925,908)
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	27,702	0	0
Transfers In	0	1,422,535	3,725,000
Transfers Out	(5,147,535)	0	0
Total Other Financing Sources (Uses)	<u>(5,119,833)</u>	<u>1,422,535</u>	<u>3,725,000</u>
Net Change in Fund Balances	(4,628,030)	14,643	1,799,092
Fund Balances at Beginning of Year	20,024,086	20,519	3,132,761
Change in Inventory Reserve	54,436	(187)	0
Fund Balances End of Year	<u>\$ 15,450,492</u>	<u>\$ 34,975</u>	<u>\$ 4,931,853</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 8,424,484
0	743,064
23,272	578,897
136,686	498,265
0	11,925
(47,139)	325,972
4,225	33,625
11,900	806,684
128,944	11,422,916
776	5,190,802
0	103,535
327,694	1,317,448
0	1,386,934
17,953	1,712,868
10,795	2,723,084
33,970	1,865,886
0	220,000
0	6,600
391,188	14,527,157
(262,244)	(3,104,241)
0	27,702
0	5,147,535
0	(5,147,535)
0	27,702
(262,244)	(3,076,539)
6,947,778	30,125,144
0	54,249
\$ 6,685,534	\$ 27,102,854

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (3,076,539)

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. 1,050,398

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. (66,403)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,913,396

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 928,976

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension expense in the statement of activities. (2,299,193)

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. 220,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 550

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. (59,032)

Change in Net Position of Governmental Activities \$ 612,153

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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$ 737,900	\$ 737,900	\$ 743,064	\$ 5,164
Intergovernmental Revenue	257,000	257,000	268,602	11,602
Charges for Services	311,000	311,000	356,873	45,873
Licenses and Permits	1,000	1,000	11,925	10,925
Investment Earnings	200,000	200,000	338,874	138,874
Fines and Forfeitures	30,000	30,000	29,400	(600)
All Other Revenues	566,600	566,600	636,298	69,698
Total Revenues	2,103,500	2,103,500	2,385,036	281,536
Expenditures:				
Current:				
Security of Persons and Property	5,289,415	5,329,415	5,203,694	125,721
Public Health and Welfare	105,400	105,400	103,744	1,656
Leisure Time Activities	1,011,500	1,026,500	956,983	69,517
Community Environment	1,400,925	1,415,925	1,396,288	19,637
General Government	2,559,003	3,064,003	2,764,799	299,204
Total Expenditures	10,366,243	10,941,243	10,425,508	515,735
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,262,743)	(8,837,743)	(8,040,472)	797,271
Other Financing Sources (Uses):				
Sale of Capital Assets	25,000	25,000	27,702	2,702
Transfers In	11,400,000	11,400,000	9,773,587	(1,626,413)
Transfers Out	(1,495,400)	(1,495,400)	(1,438,231)	57,169
Total Other Financing Sources (Uses):	9,929,600	9,929,600	8,363,058	(1,566,542)
Net Change in Fund Balance	1,666,857	1,091,857	322,586	(769,271)
Fund Balance at Beginning of Year	3,586,435	3,586,435	3,586,435	0
Prior Year Encumbrances	3,978	3,978	3,978	0
Fund Balance at End of Year	\$ 5,257,270	\$ 4,682,270	\$ 3,912,999	\$ (769,271)

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 280,000	\$ 280,000	\$ 288,223	\$ 8,223
Total Revenues	280,000	280,000	288,223	8,223
Expenditures:				
Current:				
Transportation	1,748,400	1,748,400	1,710,758	37,642
Total Expenditures	1,748,400	1,748,400	1,710,758	37,642
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,468,400)	(1,468,400)	(1,422,535)	45,865
Other Financing Sources (Uses):				
Transfers In	1,468,400	1,468,400	1,422,535	(45,865)
Total Other Financing Sources (Uses):	1,468,400	1,468,400	1,422,535	(45,865)
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position
Proprietary Fund
December 31, 2018

	Business-Type Activities - Waterworks
Assets:	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 2,105,239
Accounts receivable	1,190,697
Intergovernmental receivable	63
Due from Other Funds	890
Inventory of Supplies at Cost	120,091
Prepaid Items	18,124
Total current assets	3,435,104
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	152,004
Depreciable Capital Assets, Net	15,079,154
Total noncurrent assets	15,231,158
Total assets	18,666,262
Deferred Outflows of Resources:	
Pension	228,130
OPEB	53,211
Total Deferred Outflows of Resources	281,341
Liabilities:	
Current liabilities:	
Accounts Payable	23,239
Accrued Wages and Benefits Payable	20,698
Intergovernmental Payable	588,151
Accrued Interest Payable	7,002
General Obligation Bonds Payable - Current	195,000
Compensated Absences - Current	40,303
Total Current Liabilities	874,393
Noncurrent Liabilities:	
General Obligation Bonds Payable	2,060,000
Compensated Absences Payable	182,275
Net Pension Liability	878,699
Net OPEB Liability	582,209
Total noncurrent liabilities	3,703,183
Total Liabilities	4,577,576
Deferred Inflows of Resources:	
Pension	205,961
OPEB	43,371
Total Deferred Inflows of Resources	249,332
Net Position:	
Net Investment in Capital Assets	12,976,158
Unrestricted	1,144,537
Total Net Position	\$ 14,120,695

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2018

	Business-Type Activities - Waterworks
Operating Revenues:	
Charges for Services	\$ 5,615,292
Other Operating Revenues	78,000
Total Operating Revenues	<u>5,693,292</u>
Operating Expenses:	
Personal Services	1,170,534
Contractual Services	3,519,188
Materials and Supplies	368,656
Utilities	239,931
Depreciation	530,557
Total Operating Expenses	<u>5,828,866</u>
Operating Loss	(135,574)
Non-Operating Revenue (Expenses):	
Other Non-Operating Revenue	17,023
Loss on Disposal of Capital Assets	(3,721)
Interest and Fiscal Charges	(89,108)
Investment Earnings	38,586
Total Non-Operating Revenues (Expenses)	<u>(37,220)</u>
Change in Net Position	(172,794)
Net Position Beginning of Year	<u>14,293,489</u>
Net Position End of Year	<u>\$ 14,120,695</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, 2018

	<u>Business-Type Activities Waterworks</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$5,587,402
Other Operating Cash Receipts	78,000
Cash Payments for Goods and Services	(4,148,297)
Cash Payments to Employees	(1,120,587)
Net Cash Provided by Operating Activities	<u>396,518</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(1,624,670)
Principal Paid on General Obligation Bond	(185,000)
Interest Paid on All Debt	(89,570)
Net Cash Used for Capital and Related Financing Activities	<u>(1,899,240)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	38,586
Net Cash Provided by Investing Activities	<u>38,586</u>
Net Decrease in Cash and Cash Equivalents	(1,464,136)
Cash and Cash Equivalents at Beginning of Year	<u>3,569,375</u>
Cash and Cash Equivalents at End of Year	<u><u>\$2,105,239</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$135,574)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	530,557
Miscellaneous Nonoperating Revenues	17,002
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(28,224)
Decrease in Due from Other Funds	334
Decrease in Inventory	10,099
Increase in Prepaid Items	(9,143)
Decrease in Deferred Outflows - Pension	273,768
Increase in Deferred Outflows - OPEB	(45,422)
Increase in Accounts Payable	5,225
Increase in Accrued Wages and Benefits	284
Decrease in Intergovernmental Payable	(56,327)
Decrease in Compensated Absences Payable	(45,357)
Increase in Deferred Inflows - Pension	198,242
Increase in Deferred Inflows - OPEB	43,371
Decrease in Net Pension Liability	(418,328)
Increase in Net OPEB Liability	56,011
Total Adjustments	<u>532,092</u>
Net Cash Provided by Operating Activities	<u><u>\$396,518</u></u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Net Position
Fiduciary Funds
December 31, 2018**

	Private Purpose Trust Fund	Agency Funds
Assets:		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 132,817
Total Assets	<u>100,000</u>	<u>132,817</u>
Liabilities:		
Intergovernmental Payable	0	127,244
Due to Others	0	5,573
Total Liabilities	<u>0</u>	<u>\$ 132,817</u>
Net Position:		
Unrestricted	100,000	
Total Net Position	<u>\$ 100,000</u>	

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2018

	Private Purpose Trust
	Camp Jim B. Fund
Additions:	
Contributions:	
Donations from City	\$ 5,114
Private Donations	1,886
Total Additions	<u>7,000</u>
Deductions:	
Community Gifts, Awards and Scholarships	7,000
Total Deductions	<u>7,000</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>100,000</u>
Net Position End of Year	<u><u>\$ 100,000</u></u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

Proprietary Fund

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

C. Basis of Presentation – Financial Statements

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018 but which are not intended to finance 2018 operations and delinquent property taxes (recorded as revenue on full accrual basis), whose availability is indeterminate, are recorded as deferred inflows of resources.

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

E. Budgetary Process

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 2018, 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 2018.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balances	
	General Fund	Street Construction, Maintenance and Repair Fund
GAAP Basis (as reported)	(\$4,628,030)	\$14,643
Increase (Decrease):		
Accrued Revenues at December 31, 2018 received during 2019	(560,029)	(47,091)
Accrued Revenues at December 31, 2017 received during 2018	2,097,809	48,291
Accrued Expenditures at December 31, 2018 paid during 2019	208,685	31,202
Accrued Expenditures at December 31, 2017 paid during 2018	(222,831)	(30,153)
2018 Mark to Market Adjustment	103,223	0
2017 Mark to Market Adjustment	(137,460)	0
2018 Prepays for 2019	(77,897)	(17,356)
2017 Prepays for 2018	4,569	464
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	3,541,197	0
Outstanding Encumbrances	(6,650)	0
Budget Basis	\$322,586	\$0

F. Cash and Cash Equivalents

During fiscal year 2018, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 5, "Equity in Pooled Cash, Cash Equivalents and Investments."

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of five or more years.

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:

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

M. Net Position

Net position represents the difference between assets and liabilities plus deferred outflows/inflows of resources. Net position - net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Any unspent capital debt proceeds at December 31, 2018 do not reduce net investment in capital assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

O. Interfund Transactions

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

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

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

P. Fund Balance

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance (Continued)

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

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

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

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

Q. Estimates

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports for deferred pension/OPEB amounts. Deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows.

In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes 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/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

S. Fair Market Value

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The implementation of GASB 75 had the following effect on net position as reported December 31, 2017:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Waterworks Fund</u>
Net position December 31, 2017	\$131,964,708	\$14,811,898	\$14,811,898
Adjustments:			
Net OPEB Liability	(6,323,341)	(526,198)	(526,198)
Deferred Outflow - Payments Subsequent to the Measurement Date	45,751	7,789	7,789
Restated Net Position December 31, 2017	<u>\$125,687,118</u>	<u>\$14,293,489</u>	<u>\$14,293,489</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, 2018**

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	\$77,897	\$17,356	\$0	\$835	\$96,088
Supplies Inventory	238,564	1,730	0	0	240,294
Endowment	0	0	0	2,110,783	2,110,783
Total Nonspendable	<u>316,461</u>	<u>19,086</u>	<u>0</u>	<u>2,111,618</u>	<u>2,447,165</u>
Restricted:					
Transportation Projects	0	15,889	0	271,224	287,113
Court Projects	0	0	0	3,635	3,635
Law Enforcement	0	0	0	7,899	7,899
Law & Fire Department Awards	0	0	0	3,518	3,518
Total Restricted	<u>0</u>	<u>15,889</u>	<u>0</u>	<u>286,276</u>	<u>302,165</u>
Committed:					
Maintenance of Green Areas	0	0	0	501,161	501,161
Arboretum Operations	0	0	0	3,617,019	3,617,019
Shooting Club Operations	0	0	0	169,460	169,460
Retirement Payments	1,541,582	0	0	0	1,541,582
Capital Improvements	0	0	4,931,853	0	4,931,853
Total Committed	<u>1,541,582</u>	<u>0</u>	<u>4,931,853</u>	<u>4,287,640</u>	<u>10,761,075</u>
Assigned:					
Goods and Services	<u>6,265</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,265</u>
Unassigned	<u>13,586,184</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,586,184</u>
Total Fund Balances	<u>\$15,450,492</u>	<u>\$34,975</u>	<u>\$4,931,853</u>	<u>\$6,685,534</u>	<u>\$27,102,854</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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

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

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

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

Capital Additions	\$2,581,892
Depreciation Expense	(1,531,494)
	<u>\$1,050,398</u>

Governmental revenues not reported in the funds:

Increase in Tax Revenue	\$3,914,634
Decrease in Grants Receivable	(1,238)
	<u>\$3,913,396</u>

Contractually required contributions reported as deferred outflows:

Pension	\$918,489
OPEB	10,487
	<u>\$928,976</u>

Pension and OPEB expense:

Pension	(\$1,650,922)
OPEB	(648,271)
	<u>(\$2,299,193)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$113,281)
Increase in Inventory	54,249
	<u>(\$59,032)</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the City into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” 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 fair 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;

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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

- 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).

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.

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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

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

A. Deposits

At year end the carrying amount of the City's deposits was \$3,176,259 and the bank balance was \$4,008,439. Federal depository insurance covered \$250,000 of the bank balance and \$3,758,439 was uninsured and collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2018 were as follows:

	Fair Value	Credit Rating	Concentration of Credit Risk	Investment Maturities (in Years)	
				less than 1	1-3
Fifth Third Money Market	\$1,106,251	N/A	4.33%	\$1,106,251	\$0
US Bank Money Market	220,505	N/A	0.86%	220,505	0
Vanguard Money Market	6,380	N/A	0.02%	6,380	0
Vanguard Stock Market Index	2,104,403	N/A	8.23%	2,104,403	0
US Treasury Notes	12,861,620	P-1 ¹ - A-1+ ²	50.29%	4,968,850	7,892,770
Star Ohio	3,927	AAAm ¹	0.02%	3,927	0
Negotiable C/D's	1,740,177	N/A	6.80%	199,814	1,540,363
FNMA	1,667,754	AAA ¹	6.52%	394,700	1,273,054
FHLB	1,571,932	AAA ^{1,2}	6.15%	299,688	1,272,244
FFCB	396,328	AAA ^{1,2}	1.55%	396,328	0
FHLMC	1,285,448	AAA ^{1,2}	5.03%	891,708	393,740
Municipal Bonds	98,661	AA-	0.39%	98,661	0
Common Stock	2,512,963	N/A	9.83%	0	0
Total Investments	\$25,576,349		100.00%	\$10,691,215	\$12,372,171

¹ Standard & Poor's

² Moody's Investor Service

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. The investment in corporate stocks are all endowment monies.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	Equity in Pooled Cash, Cash Equivalents and Investments	Investments
Per Financial Statements	\$28,752,608	\$0
Investments:		
Fifth Third Money Market	(1,106,251)	1,106,251
US Bank Money Market	(220,505)	220,505
Vanguard Money Market	(6,380)	6,380
Vanguard Stock Market Index	(2,104,403)	2,104,403
US Treasury Notes	(12,861,620)	12,861,620
STAR Ohio	(3,927)	3,927
Negotiable C/D's	(1,740,177)	1,740,177
FNMA	(1,667,754)	1,667,754
FHLB	(1,571,932)	1,571,932
FFCB	(396,328)	396,328
FHLMC	(1,285,448)	1,285,448
Municipal Bonds	(98,661)	98,661
Common Stock	(2,512,963)	2,512,963
Per GASB Statement No. 3	\$3,176,259	\$25,576,349

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, 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 2017 and the last equalization adjustment was completed in 2014. Real property taxes are payable annually or semi-annually. The first payment is due January 1, with the remainder payable by June 30.

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

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

The full tax rate for all City operations for the year ended December 31, 2018 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2018 levy was based was \$874,987,820. This amount constitutes \$871,810,190 in real property assessed value, \$3,177,630 in public utility assessed value.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 6 - TAXES (Continued)

B. Income Tax

The City levies a resident income tax of .55% based upon 2018 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 2018, income tax revenue on the full accrual basis totaled \$12,343,682.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018 consisted primarily of property and income taxes, accounts receivable and intergovernmental receivables arising from entitlement or shared revenues and grants. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred inflows of resources.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2018:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$5,147,535
Street Construction, Maintenance, and Repair Fund	1,422,535	0
Capital Improvement Reserve Fund	3,725,000	0
Total Governmental Funds	<u>\$5,147,535</u>	<u>\$5,147,535</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, 2018**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
<i>Non-Depreciable Capital Assets:</i>				
Green Areas Land	\$56,102,256	\$714,840	\$0	\$56,817,096
Land, All Other	27,245,184	0	0	27,245,184
Construction in Progress	321,255	240,655	(296,284)	265,626
Total Non-Depreciable Capital Assets	<u>83,668,695</u>	<u>955,495</u>	<u>(296,284)</u>	<u>84,327,906</u>
<i>Depreciable Capital Assets:</i>				
Buildings	11,713,401	0	0	11,713,401
Improvements Other than Buildings	4,075,562	493,377	0	4,568,939
Infrastructure	13,733,229	987,193	(284,719)	14,435,703
Machinery and Equipment	5,462,689	442,111	(170,605)	5,734,195
Total Depreciable Capital Assets	<u>34,984,881</u>	<u>1,922,681</u>	<u>(455,324)</u>	<u>36,452,238</u>
Total Cost	<u>\$118,653,576</u>	<u>\$2,878,176</u>	<u>(\$751,608)</u>	<u>\$120,780,144</u>

Accumulated Depreciation:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Buildings	(\$2,451,862)	(\$207,188)	\$0	(\$2,659,050)
Improvements Other than Buildings	(1,959,506)	(192,239)	0	(2,151,745)
Infrastructure	(7,320,126)	(509,040)	219,436	(7,609,730)
Machinery and Equipment	(3,265,363)	(623,027)	169,485	(3,718,905)
Total Depreciation	<u>(\$14,996,857)</u>	<u>(\$1,531,494) *</u>	<u>\$388,921</u>	<u>(\$16,139,430)</u>
<i>Net Value:</i>	<u>\$103,656,719</u>			<u>\$104,640,714</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	(\$141,650)
Security of Persons and Property	(134,548)
Transportation	(929,647)
Leisure Time Activities	(179,497)
Community Environment	(146,152)
Total Depreciation Expense	<u>(\$1,531,494)</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	191,846	38,153	(162,082)	67,917
Total Non-Depreciable Capital Assets	<u>275,933</u>	<u>38,153</u>	<u>(162,082)</u>	<u>152,004</u>
<i>Depreciable Capital Assets:</i>				
Buildings	5,272,090	0	0	5,272,090
Improvements Other than Buildings	15,434,516	667,930	(54,452)	16,047,994
Machinery and Equipment	2,772,550	1,074,595	0	3,847,145
Total Depreciable Capital Assets	<u>23,479,156</u>	<u>1,742,525</u>	<u>(54,452)</u>	<u>25,167,229</u>
Total Cost	<u>\$23,755,089</u>	<u>\$1,780,678</u>	<u>(\$216,534)</u>	<u>\$25,319,233</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2017	Additions	Deletions	December 31, 2018
Buildings	(\$1,654,465)	(\$88,894)	\$0	(\$1,743,359)
Improvements Other than Buildings	(6,553,808)	(282,434)	50,731	(6,785,511)
Machinery and Equipment	(1,399,976)	(159,229)	0	(1,559,205)
Total Depreciation	<u>(\$9,608,249)</u>	<u>(\$530,557)</u>	<u>\$50,731</u>	<u>(\$10,088,075)</u>
<i>Net Value:</i>	<u>\$14,146,840</u>			<u>\$15,231,158</u>

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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>
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</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 \$626,548 for 2018.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description - City full-time police and firefighters 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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2018 through December 31, 2018	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2018 through December 31, 2018	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$398,489 for 2018.

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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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	\$5,167,132	\$5,064,563	\$10,231,695
Proportion of the Net Pension Liability-2018	0.032937%	0.082519%	
Proportion of the Net Pension Liability-2017	0.031917%	0.079112%	
Percentage Change	0.001019%	0.003407%	
Pension Expense	\$1,176,925	\$634,227	\$1,811,152

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$617,507	\$220,690	\$838,197
Differences between expected and actual experience	5,276	76,858	82,134
Change in proportionate share	92,176	163,958	256,134
City contributions subsequent to the measurement date	<u>626,548</u>	<u>398,489</u>	<u>1,025,037</u>
Total Deferred Outflows of Resources	<u>\$1,341,507</u>	<u>\$859,995</u>	<u>\$2,201,502</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,109,314	\$175,195	\$1,284,509
Differences between expected and actual experience	<u>101,829</u>	<u>9,162</u>	<u>110,991</u>
Total Deferred Inflows of Resources	<u>\$1,211,143</u>	<u>\$184,357</u>	<u>\$1,395,500</u>

\$1,025,037 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$509,990	\$158,727	\$668,717
2020	(61,857)	112,666	50,809
2021	(488,483)	(68,792)	(557,275)
2022	(455,834)	(34,409)	(490,243)
2023	0	87,876	87,876
2024	<u>0</u>	<u>21,081</u>	<u>21,081</u>
Total	<u>(\$496,184)</u>	<u>\$277,149</u>	<u>(\$219,035)</u>

Actuarial Assumptions - OPERS

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$9,175,509	\$5,167,132	\$1,825,352

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent for increases based on the lesser of the increase in CPI and 3%.

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

	Age	Police	Fire
Healthy Mortality			
	67 or less	77%	68%
	68-77	105%	87%
	78 and up	115%	120%
Disabled Mortality			
	59 or less	35%	35%
	60-69	60%	45%
	70-79	75%	70%
	80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017 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 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* levered 2x

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 8.00 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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 8.00 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 (7.00 percent), or one percentage point higher (9.00 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	\$7,020,812	\$5,064,563	\$3,469,062

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. 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 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. 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 is also 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 contractually required contribution to OP&F was \$10,487 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,423,643	\$4,675,411	\$8,099,054
Proportion of the Net OPEB Liability-2018	0.031527%	0.082519%	
Proportion of the Net OPEB Liability-2017	<u>0.030635%</u>	<u>0.079112%</u>	
Percentage Change	<u>0.0008921%</u>	<u>0.0034070%</u>	
OPEB Expense	\$315,033	\$387,198	\$702,231

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$249,278	\$456,221	\$705,499
Differences between expected and actual experience	2,667	0	2,667
Change in proportionate share	60,958	141,095	202,053
City contributions subsequent to the measurement date	<u>0</u>	<u>10,487</u>	<u>10,487</u>
Total Deferred Outflows of Resources	<u>\$312,903</u>	<u>\$607,803</u>	<u>\$920,706</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$255,039	\$30,775	\$285,814
Differences between expected and actual experience	<u>0</u>	<u>23,581</u>	<u>23,581</u>
Total Deferred Inflows of Resources	<u>\$255,039</u>	<u>\$54,356</u>	<u>\$309,395</u>

\$10,487 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$85,839	\$76,186	\$162,025
2020	85,839	76,186	162,025
2021	(50,055)	76,186	26,131
2022	(63,759)	76,186	12,427
2023	0	83,880	83,880
2024	0	83,880	83,880
2025	<u>0</u>	<u>70,456</u>	<u>70,456</u>
Total	<u>\$57,864</u>	<u>\$542,960</u>	<u>\$600,824</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$4,548,457	\$3,423,643	\$2,513,679

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$3,275,696	\$3,423,643	\$3,576,467

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. 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 OP&F's target asset allocation as of December 31, 2017, 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 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
 Total	 <u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$5,844,319	\$4,675,411	\$3,775,986

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$3,631,942	\$4,675,411	\$6,081,651

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 12 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2018 is as follows:

		Balance December 31, 2017	Issued	(Retired)	Balance December 31, 2018	Amount Due Within One Year
Governmental Activities:						
General Obligation Bond:						
2.00-3.00%						
2009 Administration Building	2018	\$220,000	\$0	(\$220,000)	\$0	\$0
Total General Obligation Bonds		<u>220,000</u>	<u>0</u>	<u>(220,000)</u>	<u>0</u>	<u>0</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		5,950,881	(1,662,448)	0	4,288,433	0
Ohio Police and Fire Pension Fund		5,010,873	53,690	0	5,064,563	0
Total Net Pension Liability		<u>10,961,754</u>	<u>(1,608,758)</u>	<u>0</u>	<u>9,352,996</u>	<u>0</u>
Net OPEB Liability:						
Ohio Public Employees Retirement System		2,568,074	273,360	0	2,841,434	0
Ohio Police and Fire Pension Fund		3,755,267	920,144	0	4,675,411	0
Total Net OPEB Liability		<u>6,323,341</u>	<u>1,193,504</u>	<u>0</u>	<u>7,516,845</u>	<u>0</u>
Compensated Absences		1,813,909	1,927,190	(1,813,909)	1,927,190	452,972
Total Governmental Activities		<u>\$19,319,004</u>	<u>\$1,511,936</u>	<u>(\$2,033,909)</u>	<u>\$18,797,031</u>	<u>\$452,972</u>
Business-Type Activities:						
General Obligation Bonds:						
2.00-4.15%						
2009 Water Works Bonds	2028	\$2,440,000	\$0	(\$185,000)	\$2,255,000	\$195,000
Total General Obligation Bonds		<u>2,440,000</u>	<u>0</u>	<u>(185,000)</u>	<u>2,255,000</u>	<u>195,000</u>
Net Pension Liability:						
Ohio Public Employees Retirement System		1,297,027	(418,328)	0	878,699	0
Net OPEB Liability:						
Ohio Public Employees Retirement System		526,198	56,011	0	582,209	0
Compensated Absences		267,935	222,578	(267,935)	222,578	40,303
Total Business-Type Activities		<u>\$4,531,160</u>	<u>(\$139,739)</u>	<u>(\$452,935)</u>	<u>\$3,938,486</u>	<u>\$235,303</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2018*

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2018 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2019	\$195,000	\$84,020
2020	200,000	78,170
2021	205,000	71,770
2022	210,000	64,595
2023	220,000	57,245
2024-2028	1,225,000	153,843
Totals	<u>\$2,255,000</u>	<u>\$509,643</u>

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018, the pool has twenty one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

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

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

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

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

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

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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, 2018 is \$0. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$0 reported at December 31, 2018, 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>
2017	\$0	\$645,421	(\$645,421)	\$0
2018	\$0	\$635,526	(\$635,526)	\$0

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 14 - 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, 2018.

NOTE 15 – RESTRICTED ENDOWMENTS

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

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

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

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0325820%	0.0325820%	0.0320565%
City's proportionate share of the net pension liability (asset)	\$3,840,994	\$3,929,753	\$5,552,585
City's covered payroll	\$4,101,315	\$4,018,442	\$3,989,733
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	93.65%	97.79%	139.17%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

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>
City's proportion of the net pension liability (asset)	0.0800342%	0.0800342%	0.0812753%
City's proportionate share of the net pension liability (asset)	\$3,897,917	\$4,146,106	\$5,228,497
City's covered payroll	\$2,133,879	\$1,758,295	\$1,835,121
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	182.67%	235.80%	284.91%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

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

<u>2016</u>	<u>2017</u>
0.0319174%	0.0329367%
\$7,247,908	\$5,167,132
\$4,125,983	\$4,352,623
175.66%	118.71%
77.25%	84.66%

<u>2016</u>	<u>2017</u>
0.0791120%	0.082519%
\$5,010,873	\$5,064,563
\$1,889,974	\$2,002,737
265.13%	252.88%
68.36%	70.91%

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Schedule of City Pension Contributions
Last Six Years***

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 payroll	\$4,101,315	\$4,018,442	\$3,989,733
Contributions as a percentage of covered 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 payroll	\$2,133,879	\$1,758,295	\$1,835,121
Contributions as a percentage of covered 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$495,118	\$565,841	\$626,548
<u>495,118</u>	<u>565,841</u>	<u>626,548</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,125,983	\$4,352,623	\$4,475,343
12.00%	13.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$359,095	\$380,520	\$398,489
<u>359,095</u>	<u>380,520</u>	<u>398,489</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,889,974	\$2,002,737	\$2,097,311
19.00%	19.00%	19.00%

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CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Two Years**

Ohio Public Employees Retirement System

Year	2016	2017
City's proportion of the net OPEB liability (asset)	0.030635%	0.031527%
City's proportionate share of the net OPEB liability (asset)	\$3,094,272	\$3,423,643
City's covered payroll	\$4,125,983	\$4,352,623
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.99%	78.66%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%

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

Ohio Police and Fire Pension Fund

Year	2016	2017
City's proportion of the net OPEB liability (asset)	0.0791120%	0.0825190%
City's proportionate share of the net OPEB liability (asset)	\$3,755,267	\$4,675,411
City's covered payroll	\$1,889,974	\$2,002,737
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	198.69%	233.45%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%

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

Notes: The City implemented GASB Statement 75 in 2018.
Information prior to 2016 is not available.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Six Years**

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$41,013	\$80,369	\$79,795
Contributions in relation to the contractually required contribution	<u>41,013</u>	<u>80,369</u>	<u>79,795</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$4,101,315	\$4,018,442	\$3,989,733
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

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	\$77,402	\$8,791	\$9,176
Contributions in relation to the contractually required contribution	<u>77,402</u>	<u>8,791</u>	<u>9,176</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$2,133,879	\$1,758,295	\$1,835,121
Contributions as a percentage of covered payroll	3.63%	0.50%	0.50%

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$82,520	\$43,526	\$0
<u>82,520</u>	<u>43,526</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,125,983	\$4,352,623	\$4,475,343
2.00%	1.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$9,450	\$10,014	\$10,487
<u>9,450</u>	<u>10,014</u>	<u>10,487</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,889,974	\$2,002,737	\$2,097,311
0.50%	0.50%	0.50%

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2018

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2018***

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

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OHIO AUDITOR OF STATE KEITH FABER



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(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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 Entity), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated July 29, 2019, wherein we noted the Entity adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Entity's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government'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 Government'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 Entity'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 Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 29, 2019

OHIO AUDITOR OF STATE KEITH FABER



CITY OF THE VILLAGE OF INDIAN HILL

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 13, 2019**