



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the City Council:

We have audited the accompanying general-purpose financial statements of The City of the Village of Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of The City of the Village of Indian Hill, Hamilton County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The Combining Statement of Changes in Assets and Liabilities – Agency Fund listed in the table of contents is presented for purpose of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 15, 2003

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2002**

	Governmental			Proprietary		Fiduciary		Account		
	Special Revenue Funds	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)			
General Fund	\$1,431,750	\$4,446,038	\$4,941,268	\$3,560,600	\$2,360,381	\$0	\$0	\$16,740,037		
Receivables (net of allowance for doubtful accounts):										
Taxes	553,003	2,871,282	0	0	0	0	0	3,424,285		
Accounts	16,050	0	0	578,544	0	0	0	594,594		
Intergovernmental Receivables	1,360,563	98,418	0	0	0	0	0	1,458,981		
Due from Other Funds	0	0	0	643	0	0	0	643		
Inventory of Supplies at Cost	103,801	1,132	0	37,587	0	0	0	142,520		
Prepaid Items	8,943	398	0	5,742	35	0	0	15,118		
Fixed Assets (net of accumulated depreciation)	0	0	0	9,320,597	42,195,338	19,969,057	0	71,484,992		
Unamortized Bond Issuance Costs	0	0	0	27,094	0	0	0	27,094		
Other Debits:										
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	914,202		
Total Assets and Other Debits	\$3,474,110	\$7,417,268	\$4,941,268	\$13,530,807	\$44,555,754	\$19,969,057	\$914,202	\$94,802,466		

(Continued)

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2002**

	Governmental			Proprietary		Fiduciary		Account		
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets	Long-Term Obligations	Totals	(Memorandum Only)	
<u>Liabilities, Equity and Other Credits:</u>										
Liabilities:										
Accounts Payable	\$96,823	\$8,692	\$167,847	\$36,423	\$2,944	\$0	\$0	\$312,729		
Accrued Wages and Benefits	43,394	8,241	0	4,431	386	0	0	56,452		
Due to Other Funds	643	0	0	0	0	0	0	643		
Intergovernmental Payable	101,233	0	25,222	424,449	17,531	0	0	568,435		
Accrued Interest Payable	0	0	93,167	11,248	0	0	0	104,415		
Deferred Revenue	620,165	2,788,309	0	0	0	0	0	3,408,474		
Compensated Absences Payable	0	0	0	95,376	0	0	0	914,202		
General Obligation Notes Payable	0	0	6,500,000	0	0	0	0	1,009,578		
General Obligation Bond Payable	0	0	0	625,000	0	0	0	6,500,000		
Mortgage Revenue Bond Payable	0	0	0	1,985,000	0	0	0	625,000		
Total Liabilities	862,258	2,805,242	6,786,236	3,181,927	20,861	0	914,202	14,570,726		
Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	19,969,057	0	19,969,057		
Contributed Capital	0	0	0	621,990	0	0	0	621,990		
Retained Earnings:										
Unreserved	0	0	0	9,726,890	0	0	0	9,726,890		
Fund Balances:										
Reserved for Encumbrances	5,291	0	264,891	0	0	0	0	270,182		
Reserved for Supplies Inventory	103,801	1,132	0	0	0	0	0	104,933		
Reserved for Prepaid Items	8,943	398	0	0	35	0	0	9,376		
Reserved for Principal Endowment	0	0	0	0	363,008	0	0	363,008		
Reserved for Land Use Restriction	0	0	0	0	42,195,338	0	0	42,195,338		
Unreserved:										
Undesignated	2,493,817	4,610,496	(2,109,859)	0	1,976,512	0	0	6,970,966		
Total Equity and Other Credits	2,611,852	4,612,026	(1,844,968)	10,348,880	44,534,893	19,969,057	0	80,231,740		
Total Liabilities, Equity and Other Credits	\$3,474,110	\$7,417,268	\$4,941,268	\$13,530,807	\$44,555,754	\$19,969,057	\$914,202	\$94,802,466		

The notes to the general purpose financial statements are an integral part of this statement.



**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Type</u> Expendable Trust	
<b>Revenues:</b>					
Municipal Income Tax	\$0	\$2,301,726	\$0	\$0	\$2,301,726
Property and Other Taxes	456,777	0	0	0	456,777
Intergovernmental Revenues	7,422,261	144,448	84,700	0	7,651,409
Charges for Services	284,411	0	0	3,148	287,559
License and Permits	11,596	0	0	0	11,596
Investment Earnings	126,941	3,772	0	(65,132)	65,581
Fines and Forfeitures	16,795	100	0	0	16,895
All Other Revenues	26,710	20,404	13,100	9,060	69,274
Total Revenues	<u>8,345,491</u>	<u>2,470,450</u>	<u>97,800</u>	<u>(52,924)</u>	<u>10,860,817</u>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	2,752,492	0	0	0	2,752,492
Public Health and Welfare	81,040	0	0	0	81,040
Leisure Time Activities	348,557	46,484	0	150,263	545,304
Community Environment	882,684	0	0	0	882,684
Transportation	0	964,235	0	0	964,235
General Government	2,270,889	159,481	58,489	0	2,488,859
Capital Outlay	0	0	9,286,730	10,708	9,297,438
Debt Service:					
Interest and Fiscal Charges	0	0	93,167	0	93,167
Total Expenditures	<u>6,335,662</u>	<u>1,170,200</u>	<u>9,438,386</u>	<u>160,971</u>	<u>17,105,219</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,009,829	1,300,250	(9,340,586)	(213,895)	(6,244,402)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	59,680	0	0	0	59,680
Operating Transfers In	1,165,357	819,429	2,185,795	61,328	4,231,909
Operating Transfers Out	(3,071,023)	(1,165,357)	0	0	(4,236,380)
Total Other Financing Sources (Uses)	<u>(1,845,986)</u>	<u>(345,928)</u>	<u>2,185,795</u>	<u>61,328</u>	<u>55,209</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	163,843	954,322	(7,154,791)	(152,567)	(6,189,193)
Fund Balance at Beginning of Year	2,428,185	3,659,189	5,309,823	1,702,693	13,099,890
Increase (Decrease) in Inventory Reserve	19,824	(1,485)	0	0	18,339
Fund Balance (Deficit) at End of Year	<u>\$2,611,852</u>	<u>\$4,612,026</u>	<u>(\$1,844,968)</u>	<u>\$1,550,126</u>	<u>\$6,929,036</u>

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised	Actual	Variance:	Revised	Actual	Variance:
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
<b>Revenues:</b>						
Municipal Income Tax	\$0	\$0	\$0	\$2,800,500	\$2,240,728	(\$559,772)
Property and Other Taxes	445,143	456,777	11,634	0	0	0
Intergovernmental Revenues	3,980,353	7,155,539	3,175,186	179,800	182,803	3,003
Charges for Services	159,400	286,359	126,959	0	0	0
License and Permits	10,400	11,596	1,196	0	0	0
Investment Earnings	350,000	223,497	(126,503)	7,200	3,772	(3,428)
Fines and Forfeitures	19,000	16,745	(2,255)	0	125	125
All Other Revenues	26,200	26,960	760	20,000	20,404	404
Total Revenues	4,990,496	8,177,473	3,186,977	3,007,500	2,447,832	(559,668)
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	2,819,636	2,745,341	74,295	0	0	0
Public Health and Welfare	84,700	81,069	3,631	0	0	0
Leisure Time Activities	390,065	351,054	39,011	62,960	46,484	16,476
Community Environment	1,004,575	874,873	129,702	0	0	0
Transportation	0	0	0	1,037,184	968,369	68,815
General Government	2,433,029	2,243,975	189,054	183,585	159,353	24,232
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Total Expenditures	6,732,005	6,296,312	435,693	1,283,729	1,174,206	109,523
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,741,509)	1,881,161	3,622,670	1,723,771	1,273,626	(450,145)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	5,000	60,293	55,293	0	0	0
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	5,740,000	1,165,357	(4,574,643)	925,910	819,429	(106,481)
Operating Transfers Out	(4,475,220)	(3,071,023)	1,404,197	(3,000,000)	(1,165,357)	1,834,643
Total Other Financing Sources (Uses)	1,269,780	(1,845,373)	(3,115,153)	(2,074,090)	(345,928)	1,728,162
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(471,729)	35,788	507,517	(350,319)	927,698	1,278,017
Fund Balance at Beginning of Year	1,366,247	1,366,247	0	3,513,847	3,513,847	0
Prior Year Encumbrances	11,881	11,881	0	4,493	4,493	0
Fund Balance at End of Year	\$906,399	\$1,413,916	\$507,517	\$3,168,021	\$4,446,038	\$1,278,017

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Municipal Income Tax	\$0	\$0	\$0	\$2,800,500	\$2,240,728	(\$559,772)
Property and Other Taxes	0	0	0	445,143	456,777	11,634
Intergovernmental Revenues	247,726	247,726	0	4,407,879	7,586,068	3,178,189
Charges for Services	0	0	0	159,400	286,359	126,959
License and Permits	0	0	0	10,400	11,596	1,196
Investment Earnings	0	0	0	357,200	227,269	(129,931)
Fines and Forfeitures	0	0	0	19,000	16,870	(2,130)
All Other Revenues	0	13,100	13,100	46,200	60,464	14,264
<b>Total Revenues</b>	<b>247,726</b>	<b>260,826</b>	<b>13,100</b>	<b>8,245,722</b>	<b>10,886,131</b>	<b>2,640,409</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	0	0	0	2,819,636	2,745,341	74,295
Public Health and Welfare	0	0	0	84,700	81,069	3,631
Leisure Time Activities	0	0	0	453,025	397,538	55,487
Community Environment	0	0	0	1,004,575	874,873	129,702
Transportation	0	0	0	1,037,184	968,369	68,815
General Government	40,000	54,269	(14,269)	2,656,614	2,457,597	199,017
Capital Outlay	10,104,122	9,600,158	503,964	10,104,122	9,600,158	503,964
<b>Debt Service:</b>						
Principal Retirement	1,000,000	0	1,000,000	1,000,000	0	1,000,000
<b>Total Expenditures</b>	<b>11,144,122</b>	<b>9,654,427</b>	<b>1,489,695</b>	<b>19,159,856</b>	<b>17,124,945</b>	<b>2,034,911</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,896,396)	(9,393,601)	1,502,795	(10,914,134)	(6,238,814)	4,675,320
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	0	0	5,000	60,293	55,293
Proceeds from General Obligation Notes	6,500,000	6,500,000	0	6,500,000	6,500,000	0
Operating Transfers In	2,360,000	2,185,795	(174,205)	9,025,910	4,170,581	(4,855,329)
Operating Transfers Out	(247,726)	0	247,726	(7,722,946)	(4,236,380)	3,486,566
<b>Total Other Financing Sources (Uses)</b>	<b>8,612,274</b>	<b>8,685,795</b>	<b>73,521</b>	<b>7,807,964</b>	<b>6,494,494</b>	<b>(1,313,470)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,284,122)	(707,806)	1,576,316	(3,106,170)	255,680	3,361,850
Fund Balance at Beginning of Year	5,116,102	5,116,102	0	9,996,196	9,996,196	0
Prior Year Encumbrances	100,472	100,472	0	116,846	116,846	0
<b>Fund Balance at End of Year</b>	<b>\$2,932,452</b>	<b>\$4,508,768</b>	<b>\$1,576,316</b>	<b>\$7,006,872</b>	<b>\$10,368,722</b>	<b>\$3,361,850</b>

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS/FUND BALANCES**  
**PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	Totals (Memorandum Only)
	Enterprise Fund	Nonexpendable Trust Funds	
<u>Operating Revenues:</u>			
Charges for Services	\$3,252,918	\$0	\$3,252,918
Other Operating Revenues	34,000	564,576	598,576
Investment Earnings	0	(192,926)	(192,926)
Total Operating Revenues	<u>3,286,918</u>	<u>371,650</u>	<u>3,658,568</u>
<u>Operating Expenses:</u>			
Personal Services	649,973	0	649,973
Materials and Supplies	185,766	0	185,766
Contractual Services	1,337,058	0	1,337,058
Utilities	149,978	0	149,978
Depreciation	283,564	0	283,564
Other Operating Expenses	2,169	7,000	9,169
Total Operating Expenses	<u>2,608,508</u>	<u>7,000</u>	<u>2,615,508</u>
Operating Income	678,410	364,650	1,043,060
<u>Nonoperating Revenues (Expenses):</u>			
Investment Earnings	64,487	0	64,487
Interest and Fiscal Charges	(147,628)	0	(147,628)
Other Nonoperating Revenue	2,819	0	2,819
Loss on Disposal of Fixed Assets	(1,117)	0	(1,117)
Total Nonoperating Revenues (Expenses)	<u>(81,439)</u>	<u>0</u>	<u>(81,439)</u>
Income Before Operating Transfers	596,971	364,650	961,621
<u>Operating Transfers:</u>			
Operating Transfers In	0	4,471	4,471
Total Operating Transfers	<u>0</u>	<u>4,471</u>	<u>4,471</u>
Net Income	596,971	369,121	966,092
Add: Depreciation Charged to Contributed Capital	15,518	0	15,518
Increase in Retained Earnings/Fund Balance	612,489	369,121	981,610
Retained Earnings/Fund Balance at Beginning of Year	9,114,401	42,615,646	51,730,047
Retained Earnings/Fund Balance at End of Year	<u>\$9,726,890</u>	<u>\$42,984,767</u>	<u>\$52,711,657</u>

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	Enterprise Fund	Nonexpendable Trust Funds	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,262,716	\$0	\$3,262,716
Other Operating Cash Receipts	34,000	2,579	36,579
Cash Payments for Goods and Services	(1,655,558)	(7,000)	(1,662,558)
Cash Payments to Employees	(653,114)	0	(653,114)
Net Cash Provided (Used) by Operating Activities	<u>988,044</u>	<u>(4,421)</u>	<u>983,623</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	4,471	4,471
Net Cash Provided for Noncapital Financing Activities	<u>0</u>	<u>4,471</u>	<u>4,471</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(344,951)	0	(344,951)
Principal Paid on Mortgage Revenue Bond	(265,000)	0	(265,000)
Principal Paid on General Obligation Bond	(45,000)	0	(45,000)
Interest Paid on All Debt	(144,345)	0	(144,345)
Net Cash Used for Capital and Related Financing Activities	<u>(799,296)</u>	<u>0</u>	<u>(799,296)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	64,487	0	64,487
Sale of Investments	0	(192,926)	(192,926)
Net Cash Provided (Used) by Investing Activities	<u>64,487</u>	<u>(192,926)</u>	<u>(128,439)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	253,235	(192,876)	60,359
Cash and Cash Equivalents at Beginning of Year	<u>3,307,365</u>	<u>982,305</u>	<u>4,289,670</u>
Cash and Cash Equivalents at End of Year	<u>\$3,560,600</u>	<u>\$789,429</u>	<u>\$4,350,029</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$3,560,600	\$2,360,381	\$5,920,981
Less: Cash in Expendable Trust Funds	0	(1,553,421)	(1,553,421)
Less: Cash in Agency Fund	0	(17,531)	(17,531)
Cash and Cash Equivalents at End of Year	<u>\$3,560,600</u>	<u>\$789,429</u>	<u>\$4,350,029</u>

(Continued)

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	Enterprise Fund	Nonexpendable Trust Funds	
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income	\$678,410	\$364,650	\$1,043,060
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	283,564	0	283,564
Miscellaneous Nonoperating Revenues	2,819	0	2,819
Investment Loss	0	192,926	192,926
Receipt of Donated Property	0	(561,997)	(561,997)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	9,672	0	9,672
Decrease in Due from Other Funds	126	0	126
Increase in Inventory	(4,620)	0	(4,620)
Decrease in Prepaid Items	406	0	406
Increase in Accounts Payable	1,176	0	1,176
Increase in Accrued Wages and Benefits	1,602	0	1,602
Increase in Intergovernmental Payable	19,905	0	19,905
Decrease in Compensated Absences Payable	(5,016)	0	(5,016)
Total Adjustments	<u>309,634</u>	<u>(369,071)</u>	<u>(59,437)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$988,044</u>	<u>(\$4,421)</u>	<u>\$983,623</u>

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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

**A. Reporting Entity**

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 accompanying general purpose financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," 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, account groups, 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 and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

**Governmental Funds** - Governmental funds are 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 funds) 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 governmental fund types:

**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 provisions of the City Charter.

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by 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 the fund are presented as assets and liabilities of the fund to which they relate. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

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.

***Fiduciary Funds***

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds, nonexpendable trust funds and an agency fund. Expendable trust funds are accounted for and reported similarly to governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

***Account Groups*** - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City, other than those accounted for in the proprietary funds.

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



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

**C. Basis of Accounting**

The 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 and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. 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. At December 31, 2002, the City did not have any general long-term debt.

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 state levied locally shared taxes (including motor vehicle license fees), income tax, local government assistance, grants and inheritance taxes due from the County. Other revenue, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Property taxes which are measurable at December 31, 2002, but which are not intended to finance 2002 operations or are not expected to be received within sixty (60) days after year end, are recorded as deferred revenue as further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by all proprietary funds and nonexpendable trust funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in the proprietary funds.

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

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

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the annual 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.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported in the combined financial statements. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

**1. Tax Budget**

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

**2. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. 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 current estimates. The estimated revenue amounts reported on the accompanying budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued for 2002.

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

**D. 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. By Charter, the City Manager must submit an annual appropriation ordinance (for the period January 1 through December 31) to City Council by March 31 of each year. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of council. During the year, several supplemental appropriations measures were passed. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types are presented on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying combined balance sheet.

5. 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.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's 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. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis as opposed to reservation of fund balance on the GAAP basis.

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

**D. Budgetary Process** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Capital Projects Funds
GAAP Basis	\$163,843	\$954,322	(\$7,154,791)
Increase (Decrease):			
Accrued Revenues at December 31, 2002 received during 2003	(1,308,625)	(181,391)	0
Accrued Revenues at December 31, 2001 received during 2002	1,141,220	158,773	163,026
Accrued Expenditures at December 31, 2002 paid during 2003	242,093	16,933	286,236
Accrued Expenditures at December 31, 2001 paid during 2002	(183,645)	(20,985)	(69,777)
2001 Prepays for 2002	8,505	444	0
2002 Prepays for 2003	(8,943)	(398)	0
Issuance of GO Notes	0	0	6,500,000
Outstanding Encumbrances	(18,660)	0	(432,500)
Budget Basis	<u>\$35,788</u>	<u>\$927,698</u>	<u>(\$707,806)</u>

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the general purpose financial statements because it is a highly liquid instrument which is readily convertible to cash.

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

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

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the City Charter. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City invested funds in STAR Ohio, Fifth Third and the Vanguard Stock Market Index Fund during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Fifth Third funds are invested in US Government Securities, stocks and bonds. According to the City's investment policy for the Rowe Arboretum Fund and the Green Areas Endowment Fund, permitted investments include stocks, corporate bonds, AA Mortgage securities, commercial paper rated A1/P1, mutual funds and restricted futures. All investments are valued at share market prices, which are the prices the investments could be sold for on December 31, 2002. See Note 3, "Equity in Pooled Cash, Cash Equivalents and Investments."

**G. Receivables**

Receivables consist primarily of state levied locally shared taxes (including motor vehicle license fees), inheritance taxes due from the County, income taxes, local government assistance in the governmental funds, grants and accounts (billings for user charged services, including unbilled amounts) in the proprietary funds.

**H. Inventory**

Inventories are stated at cost (first-in, first-out) in the governmental funds and proprietary funds. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary funds type when used. The reservations for inventory in the balance sheet of the governmental fund types indicate that a portion of the fund balance is not available for future expenditures.

**I. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****I. Fixed Assets and Depreciation** (Continued)1. Property, Plant and Equipment - General Governmental Purposes (Continued)

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the stewardship for such capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Fund Types

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. The property, plant and equipment recorded in the nonexpendable trust funds are for the sole benefit of these funds and are not used for the general purposes of the City.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	40 - 60
Improvements Other Than Buildings	20 - 50
Machinery, Equipment, Furniture and Fixtures	5 - 20

**J. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying combined financial statements generally reflect such transactions as operating transfers.

**K. Compensated Absences**

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, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable". The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

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

**K. Compensated Absences (Continued)**

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or 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.

**L. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	Waterworks Fund
Mortgage Revenue Bond	Waterworks Fund
Compensated Absences	General Fund
	Waterworks Fund

**M. Issuance Costs**

In governmental fund types, issuance costs are recognized in the current period. Issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

**N. Contributed Capital**

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

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

**O. Reservations of Fund Balances**

Fund balances are reserved for inventories of supplies, prepaid items and encumbered amounts that have not been accrued at year end.

**P. Total Columns on Combined Financial Statements**

Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

*Deficit Fund Equity* - The fund deficit at December 31, 2002 of \$6,586,821 in the Land Acquisition Fund arises from the recognition of notes payable within the fund. The deficit does not exist under the budgetary/cash basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

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

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash, Cash Equivalents and Investments."

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

Ohio law requires 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 "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

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



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

(Continued)

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

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

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 segregate 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.;

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

(Continued)

- U.S. Government, Agency and Corporate Bonds rated BBB/Baa or better, and Canadian Yankees rated at least A;
- U.S. registered mutual funds.
- Futures only in the case where the dollar value of the market exposure does not exceed the value of uninvested cash in the investment account, and where the purpose of the futures contract is to achieve market exposure for that cash in the asset class of the benchmark of the portfolio.

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

Governmental Accounting Standards Board Statement Number 3 (GASB No. 3) has established risk categories for deposits and investments as follows:

*Deposits:*

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

*Investments:*

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

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

(Continued)

**A. Deposits**

At December 31, 2002, the carrying amount of the City's deposits was \$160,547 and the bank balance was \$212,430. Federal depository insurance covered \$132,845 of the bank balance. The remaining deposits of \$112,430 were collateralized by the Financial Institution Public Entity deposit pool.

**B. Investments**

The City's investments at December 31, 2002 are categorized below to give an indication of the level of risk assumed by the City at year end.

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$8,166,877	\$0	\$8,166,877
Corporate Stocks	0	1,262,548	1,262,548
Total Categorized Investments	8,166,877	1,262,548	9,429,425
 <u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	5,694,849
Stock Mutual Fund	N/A	N/A	680,228
Money Market Mutual Funds	N/A	N/A	774,988
Total Investments	\$8,166,877	\$1,262,548	\$16,579,490

Corporate stocks and bonds are prohibited by Ohio statute. The City was endowed with both to its trust funds. No public funds were used to acquire these investments. STAR Ohio, money market mutual funds and stock mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

**C. Reconciliation of Cash, Cash Equivalents and Investments**

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

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

(Continued)

A reconciliation between classifications of cash and investments on the combined balance sheet and the classifications per this GASB Statement No. 3 disclosure is as follows:

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$16,740,037	\$0
U.S. Government Securities	(8,166,877)	8,166,877
Corporate Stocks	(1,262,548)	1,262,548
Stock Mutual Funds	(680,228)	680,228
Money Market Mutual Funds	(774,988)	774,988
STAR Ohio	(5,694,849)	5,694,849
Per GASB Statement No. 3	<u>\$160,547</u>	<u>\$16,579,490</u>

**NOTE 4 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 1; the remainder is payable by June 30.

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

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

**NOTE 4 – TAXES (Continued)**

**A. Property Taxes (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including The City of the Village of Indian Hill. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2002 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2002 levy was based was \$617,081,020. This amount constitutes \$612,846,130 in real property assessed value, \$3,024,390 in public utility assessed value and \$1,210,500 in tangible personal property assessed value.

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

**B. Income Tax**

The City levies a resident income tax of .2% based upon 2001 Ohio Adjusted Gross Income. No reciprocal credit is recognized for residents who may be employed in other municipalities. The majority of returns are filed annually, on April 30 of each year, although the City does receive some monthly and/or quarterly remittances.

For fiscal 2002, income tax collections totaled \$2,240,728.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2002 consisted primarily of property, inheritance and income taxes, interfund receivables, accounts receivable, and intergovernmental receivables arising from entitlement or shared revenues and grants.

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**NOTE 6 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$1,165,357	\$3,071,023
Special Revenue Funds:		
Street Construction, Maintenance and Repair Fund	793,327	0
Income Tax Fund	0	1,165,357
Bridle Trail Fund	26,102	0
Total Special Revenue Funds	<u>819,429</u>	<u>1,165,357</u>
Capital Projects Fund:		
Capital Improvement Reserve Fund	2,185,795	0
Expendable Trust Fund:		
Rowe Arboretum Fund	61,328	0
Nonexpendable Trust Fund:		
Camp Jim B. Fund	4,471	0
Total All Funds	<u>\$4,236,380</u>	<u>\$4,236,380</u>

**NOTE 7 - INTERFUND BALANCES**

Individual interfund balances at December 31, 2002 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$0	\$643
Enterprise Fund:		
Waterworks Fund	643	0
Totals	<u>\$643</u>	<u>\$643</u>

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**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

Changes in general fixed assets during the year ended December 31, 2002 are as follows:

Category	December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$6,131,449	\$7,570,152	\$0	\$13,701,601
Buildings and Improvements	2,256,541	11,275	0	2,267,816
Improvements Other than Buildings	703,945	130,803	0	834,748
Machinery and Equipment	2,845,319	538,640	(309,160)	3,074,799
Construction in Progress	41,302	90,093	(41,302)	90,093
Totals	<u>\$11,978,556</u>	<u>\$8,340,963</u>	<u>(\$350,462)</u>	<u>\$19,969,057</u>

**B. Proprietary Fixed Assets**

Summary by category at December 31, 2002:

Category	Enterprise Fund	Nonexpendable Trust Funds
Land	\$84,087	\$42,195,338
Land Improvements	9,295,727	0
Buildings and Improvements	3,224,391	0
Machinery and Equipment	2,033,552	0
Construction in Progress	50,899	0
Subtotal	14,688,656	42,195,338
Accumulated Depreciation	(5,368,059)	0
Total Fixed Assets	<u>\$9,320,597</u>	<u>\$42,195,338</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

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

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

All employees of the City, except full-time uniformed police officers, participate in the Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$399,438, \$371,165 and \$282,802, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$147,394.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.



**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2002, 2001 and 2000 were \$241,376, \$231,173 and \$218,659 for police, which was equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2002 covered payroll that was used to fund postemployment health care benefits was \$95,931 representing 7.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 10 - NOTES PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The note is backed by the full faith and credit of the City and matures within one year. The note was issued to purchase 304 acres in the Camp Dennison area to preserve and protect the area's aquifer and to maintain the area as open space. The City intends to retire the note from available City funds during 2003.

General Obligation Note:	Balance December 31, 2001	Issued	(Retired)	Balance December 31, 2002
Capital Projects Fund:				
2.15% Land Acquisition	\$0	\$6,500,000	\$0	\$6,500,000

**NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

A summary of long-term obligation activity for the year ended December 31, 2002 follows:

	Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
<b>Enterprise Fund:</b>			
Mortgage Revenue Bond:			
2.80 -5.25% 1993 Water Works Revenue Refunding 2009	\$2,250,000	(\$265,000)	\$1,985,000
General Obligation Bond:			
3.00-6.00% 1992 Water Works Improvement 2012	670,000	(45,000)	625,000
Total Enterprise Funds	\$2,920,000	(\$310,000)	\$2,610,000
<b>General Long-Term Obligations Account Group:</b>			
Other Long-Term Obligations:			
Compensated Absences	\$880,659	\$33,543	\$914,202
Total Other Long-Term Obligations	880,659	33,543	914,202
Total General Long-Term Debt and Other Long-Term Obligations	\$880,659	\$33,543	\$914,202

**A. Defeased Debt**

In 1993, the City defeased a portion of its 1988 and 1989 Series Waterworks Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of December 31, 2002, \$1,930,000 of the 1988 and 1989 series bonds are still outstanding.

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

**B. Compensated Absences**

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Employees can accumulate a maximum of 120 days (960 hours). Upon voluntary separation from the City, an employee shall receive one half of monetary compensation for each day of unused sick leave; the monetary compensation will be at the hourly rate of compensation of the employee at the time of resignation. In addition, any employee with 10 years of service is entitled to severance pay equal to one month of salary if a salaried employee or 190 hours if an hourly employee, plus 10% of a month's salary for every year of employment beyond 10 years.

Prior to 2001, employees were not permitted to carry over vacation balances. The City changed its pay ordinance to allow the carry over of up to one half of the employees' annual vacation allowance.

As of December 31, 2002, the liability for unpaid compensated absences was \$914,202 for all funds of the City except the proprietary fund. For governmental funds, the entire amount was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary fund has been recorded within the fund.

**C. Principal and Interest Requirements**

The principal and interest requirements to retire long-term debt obligations at December 31, 2002, are as follows:

Years	Mortgage Revenue Bond		General Obligation Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$275,000	\$91,996	\$50,000	\$35,316	\$325,000	\$127,312
2004	285,000	79,043	50,000	32,491	335,000	111,534
2005	295,000	65,118	55,000	29,484	350,000	94,602
2006	310,000	50,140	55,000	26,307	365,000	76,447
2007	325,000	34,103	60,000	22,957	385,000	57,060
2008-2012	495,000	20,784	355,000	55,569	850,000	76,353
Totals	<u>\$1,985,000</u>	<u>\$341,184</u>	<u>\$625,000</u>	<u>\$202,124</u>	<u>\$2,610,000</u>	<u>\$543,308</u>

**NOTE 12 - CONTRIBUTED CAPITAL**

Enterprise fund contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from capital contributions is charged to contributed capital.

A schedule of changes in contributed capital is presented below:

	<u>Enterprise Fund</u>
Balance at Beginning of Year	\$637,508
Less: Depreciation on Contributed Capital	<u>(15,518)</u>
Balance at End of Year	<u><u>\$621,990</u></u>

**NOTE 13 – GREEN AREAS LAND OWNERSHIP**

The City accounts for land donated for use as green areas valued at \$42,195,338 within the Green Areas Endowment Fund (nonexpendable trust fund). The property is held in trust with various deed restrictions. In accordance with the terms of the trust agreement, this property cannot be sold or developed.

**NOTE 14 - CONSTRUCTION COMMITMENTS**

As of December 31, 2002, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Camp Dennison Phase II	\$40,069	2003
Stephan Field Tennis Court	103,645	2003
Washington School House	269,000	2003
Shawnee Run House	100,000	2004
Pressure Zone Improvements	425,000	2003
Water Tower Improvements	129,000	2003
Total	<u><u>\$1,066,714</u></u>	

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**NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. On September 1, 1996 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2002, the pool has sixteen 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, general liability, boiler and machinery, 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 sixteen 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 full-time Claims Manager, 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.

The sixteen participating cities and their respective pool contribution factors for the loss year ended December 31, 2002 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>	<u>Total</u>
Beavercreek	8.55 %	Sidney	9.26 %	
Blue Ash	7.24	Springdale	5.74	
Indian Hill	2.78	Tipp City	2.20	
Kettering	16.90	Troy	7.97	
Madeira	1.61	Vandalia	5.14	
Mason	5.41	West Carrollton	4.74	
Miamisburg	11.70	Wilmington	4.93	
Montgomery	3.40	Wyoming	2.43	
Subtotal	<u>57.59 %</u>	Subtotal	<u>42.41 %</u>	<u>100.00%</u>

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

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

Property	\$100,000,000	per occurrence
General Liability	10,500,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Public Officials Liability /	500,000	per occurrence
Police Professional Liability	10,000,000	excess \$1 Million
Automobile Liability	10,500,000	per occurrence
Flood (Property)	25,000,000	annual aggregate
Earthquake (Property)	25,000,000	annual aggregate

**NOTE 15 - RISK MANAGEMENT (Continued)**

The deductible per occurrence is \$2,500. During 2002, MVRMA's self insured retention (SIR) limit for property was \$250,000 except boiler and machinery, which was \$5,000. The SIR for liability was \$500,000. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2002.

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

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

The City participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald who was paid an annual fee of \$4,523 in 2002. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

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

**NOTE 16 – CONDUIT DEBT**

The City of the Village of Indian Hill, Ohio (the "Issuer"), made a loan to assist in the financing of the acquisition, construction, equipping, and installation of certain school facilities to be used by Cincinnati Country Day School (the "Borrower"), a non-profit corporation. City Council approved this loan on April 19, 1999, after determining that the City, by virtue of the laws of the State of Ohio, including Article VIII, Section 13 of the Constitution of Ohio, Chapter 165 of the Ohio Revised Code is authorized and empowered among other things (a) to make a loan as previously described to the Cincinnati Country Day School which has received a determination from the Internal Revenue Service that it is an entity described in Section 501 (c) (3) of the Internal Revenue Code, within the boundaries of the Issuer, (b) to issue and sell its revenue bonds to provide moneys for such loans and (c) to enact bond legislation and execute and deliver the agreements.

City Council has determined that the acquisition, construction, installation and equipping of the project will promote the economic welfare of the people of the Issuer and the State of Ohio and create or preserve jobs and employment opportunities. Council therefore assisted with the financing of the project through the issuance of revenue bonds in the aggregate principal amount of \$17,600,000, which were closed on May 6, 1999. The principal amount still outstanding on these bond issuances at December 31, 2002 is \$13,415,000. The Adjustable Rate Demand, Economic Development Revenue Bonds, series 1999, are special obligations of the City and do not represent or constitute an indebtedness of the Issuer

**NOTE 16 – CONDUIT DEBT (Continued)**

within the meaning of the Constitution of the State of Ohio or a pledge of faith and credit or the taxing power of the Issuer, the State of Ohio or any political subdivision, municipality or other local agency. The Series 1999 Bonds, from payments provided for under a Loan Agreement with the Cincinnati Country Day School, from funds drawn under an irrevocable Letter of Credit issued by Fifth Third Bank. No covenant or agreement of any member of the City Council of the City of the Village of Indian Hill, Ohio or of any officer, agent attorney or employee of the Issuer in his or her individual capacity, nor shall any officer or employee of the Issuer executing the Bonds be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

**NOTE 17 - 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, 2002.

**THE CITY OF THE VILLAGE OF INDIAN HILL, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Balance December 31, 2001	Additions	Deductions	Balance December 31, 2002
<u>City Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$8,910	\$39,915	(\$31,294)	\$17,531
Total Assets	<u>\$8,910</u>	<u>\$39,915</u>	<u>(\$31,294)</u>	<u>\$17,531</u>
Liabilities:				
Intergovernmental Payables	\$8,910	\$39,915	(\$31,294)	\$17,531
Total Liabilities	<u>\$8,910</u>	<u>\$39,915</u>	<u>(\$31,294)</u>	<u>\$17,531</u>





**Auditor of State  
Betty Montgomery**

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

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

To the City Council:

We have audited the accompanying financial statements of The City of the Village of Indian Hill, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated May 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

The City of the Village of Indian Hill  
Hamilton County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 15, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**THE CITY OF THE VILLAGE OF INDIAN HIL**

**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  
JUNE 5, 2003**