

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



**THE VILLAGE OF
INDIAN HILL**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditors' Report* of the City of the Village of Indian Hill, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2021

This page intentionally left blank.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
HAMILTON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	25
Street Construction, Maintenance and Repair Fund	26
Statement of Net Position - Proprietary Funds	27
Statement of Revenues, Expenses and Changes in Net position - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds	29
Statement of Net Position - Fiduciary Funds	30
Statement of Changes in Net Position - Fiduciary Funds	31
Notes to the Basic Financial Statements	32
Required Supplementary Information.....	83
Schedule of Expenditures of Federal Awards	96
Notes to the Schedule of Expenditures of Federal Awards	96
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	97
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance	99
Schedule of Findings and Questioned Costs.....	101
Schedule of Prior Audit Findings and Questioned Costs	102

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Council, and City Manager
City of the Village of Indian Hill, Ohio

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 (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows and budgetary comparisons for the General Fund and the Street Construction, Maintenance and Repair Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension information and other postemployment information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

July 28, 2021

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020 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, 2020. 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 2020 are as follows:

- ❑ In total, net position increased \$2,459,979. Net position of governmental activities increased \$1,197,108, which represents a .9% increase from 2019. Net position of business-type activities increased \$1,262,871 from 2019.
- ❑ General revenues accounted for \$15,794,021 in revenue or 63.4% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$9,098,243 or 36.6% of total revenues of \$24,892,264.
- ❑ The City had \$16,927,344 in expenses related to governmental activities; only \$2,364,501 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily income taxes) of \$15,759,951 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$17,155,125 in revenues and other financing sources and \$14,557,987 in expenditures and other financing uses. The general fund's fund balance increased \$2,479,926, to \$18,679,460 for 2020. As a whole, all governmental funds increased by \$3,542,668.

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, 2020 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, 2020 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, 2020 and 2019.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$44,062,375	\$42,438,317	\$4,779,330	\$4,113,022	\$48,841,705	\$46,551,339
Capital assets, Net	108,060,089	107,120,198	15,870,170	15,267,434	123,930,259	122,387,632
Total assets	152,122,464	149,558,515	20,649,500	19,380,456	172,771,964	168,938,971
Deferred outflows of resources	2,938,287	5,066,692	292,538	531,022	3,230,825	5,597,714
Net Pension Liability	10,898,033	14,339,574	1,093,765	1,549,008	11,991,798	15,888,582
Net OPEB Liability	4,421,936	4,203,749	739,313	708,784	5,161,249	4,912,533
Long-term debt outstanding	1,918,677	1,858,714	2,016,119	2,291,665	3,934,796	4,150,379
Other liabilities	394,859	294,265	766,792	632,474	1,161,651	926,739
Total liabilities	17,633,505	20,696,302	4,615,989	5,181,931	22,249,494	25,878,233
Deferred inflows of resources	3,368,211	1,066,978	355,893	22,262	3,724,104	1,089,240
Net position						
Net investment in Capital Assets	108,060,089	107,120,198	13,998,170	13,207,434	122,058,259	120,327,632
Restricted	3,244,020	2,827,172	0	0	3,244,020	2,827,172
Unrestricted	22,754,926	22,914,557	1,971,986	1,499,851	24,726,912	24,414,408
Total net position	<u>\$134,059,035</u>	<u>\$132,861,927</u>	<u>\$15,970,156</u>	<u>\$14,707,285</u>	<u>\$150,029,191</u>	<u>\$147,569,212</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." The net OPEB liability (NOL) is reported by the City pursuant to 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, 2020 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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal years 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services and Sales	\$665,623	\$520,459	\$6,733,742	\$6,339,836	\$7,399,365	\$6,860,295
Operating Grants and Contributions	1,268,498	495,092	0	0	1,268,498	495,092
Capital Grants and Contributions	430,380	872,553	0	0	430,380	872,553
Total Program Revenues	<u>2,364,501</u>	<u>1,888,104</u>	<u>6,733,742</u>	<u>6,339,836</u>	<u>9,098,243</u>	<u>8,227,940</u>
General Revenues:						
Municipal Income Taxes	12,401,928	13,946,906	0	0	12,401,928	13,946,906
Property Taxes	751,268	736,232	0	0	751,268	736,232
Shared Revenues	307,418	302,231	0	0	307,418	302,231
Investment Earnings	1,561,048	2,198,079	34,070	39,084	1,595,118	2,237,163
Miscellaneous	738,289	681,346	0	0	738,289	681,346
Total General Revenues	<u>15,759,951</u>	<u>17,864,794</u>	<u>34,070</u>	<u>39,084</u>	<u>15,794,021</u>	<u>17,903,878</u>
Total Revenues	<u>18,124,452</u>	<u>19,752,898</u>	<u>6,767,812</u>	<u>6,378,920</u>	<u>24,892,264</u>	<u>26,131,818</u>
Program Expenses						
Security of Persons and Property	6,645,970	2,580,559	0	0	6,645,970	2,580,559
Public Health and Welfare Services	115,859	122,470	0	0	115,859	122,470
Leisure Time Activities	1,852,603	1,683,725	0	0	1,852,603	1,683,725
Community Environment	1,758,739	1,795,130	0	0	1,758,739	1,795,130
Transportation	3,161,062	3,717,305	0	0	3,161,062	3,717,305
General Government	3,393,111	3,291,053	0	0	3,393,111	3,291,053
Interest and Fiscal Charges	0	0	0	0	0	0
Waterworks Fund	0	0	5,504,941	5,792,330	5,504,941	5,792,330
Total Expenses	<u>16,927,344</u>	<u>13,190,242</u>	<u>5,504,941</u>	<u>5,792,330</u>	<u>22,432,285</u>	<u>18,982,572</u>
Total Change in Net Position	1,197,108	6,562,656	1,262,871	586,590	2,459,979	7,149,246
Beginning Net Position	<u>132,861,927</u>	<u>126,299,271</u>	<u>14,707,285</u>	<u>14,120,695</u>	<u>147,569,212</u>	<u>140,419,966</u>
Ending Net Position	<u>\$134,059,035</u>	<u>\$132,861,927</u>	<u>\$15,970,156</u>	<u>\$14,707,285</u>	<u>\$150,029,191</u>	<u>\$147,569,212</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

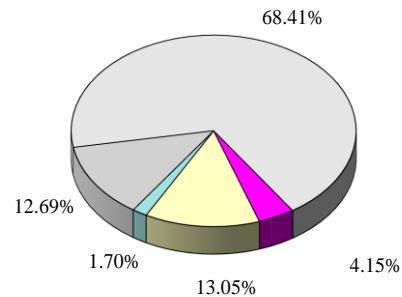
Governmental Activities

Net position of the City's governmental activities increased by \$1,197,108. The increase was due to an increase in operating grants and rebates received from the CARES Act and the Ohio Bureau of Workers' Compensation due to the COVID-19 pandemic. The increase is also attributed to the City's continued practice of keeping budgeted expenditures well within estimated resources.

The City receives an income tax, which is based on 0.525% of the residents' Ohio Adjusted Gross Income.

Income taxes and property taxes made up 68.41% and 4.15% respectively of revenues for governmental activities for the City in fiscal year 2020. The City's reliance upon tax revenues is demonstrated by the following graph indicating 72.56% of total revenues from general tax revenues:

Revenue Sources	2020	Percent of Total
Municipal Income Taxes	\$12,401,928	68.41%
Property Taxes	751,268	4.15%
Program Revenues	2,364,501	13.05%
Shared Revenues	307,418	1.70%
General Other	2,299,337	12.69%
Total Revenue	<u>\$18,124,452</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased by \$1,262,871. This change in net position was due to increased water revenue and operating expenses being lower than anticipated.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020 Unaudited***

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$32,667,754, which is an increase of \$3,542,668 from last year's balance of \$29,125,086. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2020 and 2019:

	Fund Balance December 31, 2020	Fund Balance December 31, 2019	Increase (Decrease)
General	\$18,679,460	\$16,199,534	\$2,479,926
Street Construction, Maintenance and Repair	48,328	47,270	1,058
Capital Improvement Reserve	5,246,060	5,051,952	194,108
Other Governmental	8,693,906	7,826,330	867,576
Total	\$32,667,754	\$29,125,086	\$3,542,668

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

	2020 Revenues	2019 Revenues	Increase (Decrease)
Municipal Income Tax	\$14,442,060	\$13,673,575	\$768,485
Property and Other Taxes	735,208	734,492	716
Intergovernmental Revenues	295,489	295,456	33
Charges for Services	368,953	355,731	13,222
Licenses and Permits	20,574	5,300	15,274
Investment Earnings	601,852	800,724	(198,872)
Fines and Forfeitures	14,920	109,741	(94,821)
All Other Revenue	629,138	567,163	61,975
Total	\$17,108,194	\$16,542,182	\$566,012

General Fund revenues in 2020 increased approximately 3.4% compared to revenues in fiscal year 2019. The most significant factor contributing to this was an increase in income tax collections.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

	2020 Expenditures	2019 Expenditures	Increase (Decrease)
Security of Persons and Property	\$5,167,121	\$5,532,182	(\$365,061)
Public Health and Welfare Services	108,083	106,767	1,316
Leisure Time Activities	926,678	942,051	(15,373)
Community Environment	1,364,530	1,498,456	(133,926)
General Government	2,709,590	2,659,875	49,715
Total	<u>\$10,276,002</u>	<u>\$10,739,331</u>	<u>(\$463,329)</u>

General Fund expenditures decreased 4.3% when compared to the prior year. Security of Persons and Property and Community Environment functions accounted for the lower expenditures. These expenses were offset by CARES Act revenue received due to the COVID-19 pandemic.

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 2020 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.

This space intentionally left blank.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020 Unaudited**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2020 the City had \$123,930,259 net of accumulated depreciation invested in land, construction in progress, buildings, land improvements, machinery and equipment and infrastructure. Of this total, \$108,060,089 was related to governmental activities and \$15,870,170 to business-type activities. The following table shows fiscal year 2020 and 2019 balances:

	Governmental Activities		Increase (Decrease)
	2020	2019	
Land:			
Green Areas Land (1)	\$57,409,666	\$57,290,546	\$119,120
Land, All Other	27,245,184	27,245,184	0
Total Land	<u>84,654,850</u>	<u>84,535,730</u>	<u>119,120</u>
Construction In Progress	779,528	816,098	(36,570)
Buildings	11,955,476	11,713,401	242,075
Land Improvements	6,705,675	5,983,643	722,032
Infrastructure	15,296,359	15,035,846	260,513
Machinery and Equipment	6,600,754	6,099,692	501,062
Less: Accumulated Depreciation	<u>(17,932,553)</u>	<u>(17,064,212)</u>	<u>(868,341)</u>
Totals	<u>\$108,060,089</u>	<u>\$107,120,198</u>	<u>\$939,891</u>

	Business-Type Activities		Increase (Decrease)
	2020	2019	
Land	\$84,087	\$84,087	\$0
Construction in Progress	235,515	88,907	146,608
Buildings	5,272,090	5,272,090	0
Land Improvements	17,422,702	16,581,014	841,688
Machinery and Equipment	3,931,501	3,847,145	84,356
Less: Accumulated Depreciation	<u>(11,075,725)</u>	<u>(10,605,809)</u>	<u>(469,916)</u>
Totals	<u>\$15,870,170</u>	<u>\$15,267,434</u>	<u>\$602,736</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 3,014 as of December 31, 2020.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

The primary increases occurred in land improvements, infrastructure, and machinery and equipment under Governmental Activities. The increase in infrastructure was due to 2020 street resurfacing projects. The increase in land improvements during 2020 is related to multiple culvert, pier wall, and landslide improvement and replacement projects. The machinery and equipment increase were primarily due to the purchase of a replacement waste packer and salt truck. Overall, Business Type activities capital assets increased due to land improvement (such as water main installation) and machinery and equipment purchases.

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

Debt

At December 31, 2020, the City had \$1,872,000 in general obligation bonds outstanding, \$234,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Governmental Activities:		
Compensated Absences	<u>\$1,918,677</u>	<u>\$1,858,714</u>
Total Governmental Activities	<u><u>\$1,918,677</u></u>	<u><u>\$1,858,714</u></u>
Business-Type Activities:		
General Obligation Bonds	\$1,872,000	\$2,060,000
Compensated Absences	<u>144,119</u>	<u>231,665</u>
Total Business-Type Activities	<u><u>2,016,119</u></u>	<u><u>2,291,665</u></u>
Totals	<u><u>\$3,934,796</u></u>	<u><u>\$4,150,379</u></u>

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, 2020 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 2020 of approximately 5,900. 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 3,400 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, 2020 the general fund balance increased \$2,479,926. 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 to maintain the income tax rate at 0.525% beginning January 1, 2021 (2020 tax year).

The city refinanced an existing \$2.1 million water works bond in 2020. This refinancing will result in an estimated savings of \$239,000 over the remaining term of the bonds. The city also plans to issue up to \$6 million in new debt in 2021. The revenue from the 2021 bonds will be used to finance water main improvements.

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.

This Page Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 31,544,097	\$ 3,215,454	\$ 34,759,551
Receivables:			
Taxes	11,620,259	0	11,620,259
Accounts	51,885	1,388,269	1,440,154
Intergovernmental	458,855	12,499	471,354
Internal Balances	(1,092)	1,092	0
Inventory of Supplies at Cost	282,741	139,709	422,450
Prepaid Items	105,630	22,307	127,937
Nondepreciable Capital Assets	85,434,378	319,602	85,753,980
Depreciable Capital Assets, Net	22,625,711	15,550,568	38,176,279
Total Assets	152,122,464	20,649,500	172,771,964
Deferred Outflows of Resources:			
Pension	1,732,396	173,011	1,905,407
OPEB	1,205,891	119,527	1,325,418
Total Deferred Outflows of Resources	2,938,287	292,538	3,230,825
Liabilities:			
Accounts Payable	82,071	162,117	244,188
Accrued Wages and Benefits Payable	290,517	34,837	325,354
Intergovernmental Payable	22,271	568,122	590,393
Accrued Interest Payable	0	1,716	1,716
Noncurrent liabilities:			
Due within one year	484,619	284,357	768,976
Due in more than one year:			
Net Pension Liability	10,898,033	1,093,765	11,991,798
Net OPEB Liability	4,421,936	739,313	5,161,249
Other Amounts Due in More Than One Year	1,434,058	1,731,762	3,165,820
Total Liabilities	17,633,505	4,615,989	22,249,494
Deferred Inflows of Resources:			
Property Tax Levy for Next Year	723,750	0	723,750
Pension	1,802,229	245,638	2,047,867
OPEB	842,232	110,255	952,487
Total Deferred Inflows of Resources	3,368,211	355,893	3,724,104
Net Position:			
Net Investment in Capital Assets	108,060,089	13,998,170	122,058,259
Restricted For:			
Other Purposes	23,011	0	23,011
Permanent Funds:			
Expendable	3,626	0	3,626
Nonexpendable	3,217,383	0	3,217,383
Unrestricted	22,754,926	1,971,986	24,726,912
Total Net Position	\$ 134,059,035	\$ 15,970,156	\$ 150,029,191

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, 2020

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 6,645,970	\$ 135,555	\$ 771,679	\$ 0
Public Health and Welfare	115,859	0	0	0
Leisure Time Activities	1,852,603	196,490	0	0
Community Environment	1,758,739	317,783	0	0
Transportation	3,161,062	13,453	496,819	430,380
General Government	3,393,111	2,342	0	0
Total Governmental Activities	16,927,344	665,623	1,268,498	430,380
Business-Type Activities:				
Water	5,504,941	6,733,742	0	0
Total Business-Type Activities	5,504,941	6,733,742	0	0
Totals	\$ 22,432,285	\$ 7,399,365	\$ 1,268,498	\$ 430,380

General Revenues:

Municipal Income Taxes

Property Taxes

Shared Revenues

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,738,736)	\$ 0	\$ (5,738,736)
(115,859)	0	(115,859)
(1,656,113)	0	(1,656,113)
(1,440,956)	0	(1,440,956)
(2,220,410)	0	(2,220,410)
(3,390,769)	0	(3,390,769)
<u>(14,562,843)</u>	<u>0</u>	<u>(14,562,843)</u>
0	1,228,801	1,228,801
0	1,228,801	1,228,801
<u>(14,562,843)</u>	<u>1,228,801</u>	<u>(13,334,042)</u>
\$ 12,401,928	\$ 0	\$ 12,401,928
751,268	0	751,268
307,418	0	307,418
1,561,048	34,070	1,595,118
738,289	0	738,289
<u>15,759,951</u>	<u>34,070</u>	<u>15,794,021</u>
1,197,108	1,262,871	2,459,979
<u>132,861,927</u>	<u>14,707,285</u>	<u>147,569,212</u>
<u>\$ 134,059,035</u>	<u>\$ 15,970,156</u>	<u>\$ 150,029,191</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Balance Sheet
Governmental Funds
December 31, 2020

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 17,561,682	\$ 13,453	\$ 5,272,858
Receivables:			
Taxes	11,620,259	0	0
Accounts	51,885	0	0
Intergovernmental	247,809	195,218	0
Inventory of Supplies, at Cost	282,348	393	0
Prepaid Items	87,019	17,269	0
Total Assets	\$ 29,851,002	\$ 226,333	\$ 5,272,858
Liabilities:			
Accounts Payable	\$ 63,339	\$ 3,577	\$ 12,446
Accrued Wages and Benefits Payable	241,782	42,940	0
Intergovernmental Payable	6,264	1,343	14,352
Due to Other Funds	1,092	0	0
Total Liabilities	312,477	47,860	26,798
Deferred Inflows of Resources:			
Unavailable Amounts	10,135,315	130,145	0
Property Tax Levy for Next Fiscal Year	723,750	0	0
Total Deferred Inflows of Resources	10,859,065	130,145	0
Fund Balances:			
Nonspendable	401,215	17,662	0
Restricted	0	30,666	0
Committed	1,219,083	0	5,246,060
Assigned	21,416	0	0
Unassigned	17,037,746	0	0
Total Fund Balances	18,679,460	48,328	5,246,060
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 29,851,002	\$ 226,333	\$ 5,272,858

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 8,696,104	\$ 31,544,097
0	11,620,259
0	51,885
15,828	458,855
0	282,741
1,342	105,630
\$ 8,713,274	\$ 44,063,467
\$ 2,709	\$ 82,071
5,795	290,517
312	22,271
0	1,092
8,816	395,951
10,552	10,276,012
0	723,750
10,552	10,999,762
3,218,725	3,637,602
181,228	211,894
5,293,953	11,759,096
0	21,416
0	17,037,746
8,693,906	32,667,754
\$ 8,713,274	\$ 44,063,467

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2020***

Reconciliation Of Total Governmental Fund Balances

Total Governmental Fund Balances \$ 32,667,754

***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. 108,060,089

Other long-term assets are not available to pay for current-
period expenditures and therefore are reported as deferred
inflows of resources in the funds. 10,276,012

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. (15,026,143)

Long-term compensated absences are not due and payable
in the current period and therefore are not reported in the funds. (1,918,677)

Net Position of Governmental Activities \$ 134,059,035

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

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, 2020**

	General	Street Construction, Maintenance and Repair	Capital Improvement Reserve
Revenues:			
Municipal Income Tax	\$ 14,442,060	\$ 0	\$ 0
Property and Other Taxes	735,208	0	0
Intergovernmental Revenues	295,489	411,655	421,430
Charges for Services	368,953	0	0
Licenses, Permits and Fees	20,574	0	0
Investment Earnings	601,852	0	0
Fines and Forfeitures	14,920	0	0
All Other Revenue	629,138	0	8,950
Total Revenue	17,108,194	411,655	430,380
Expenditures:			
Current:			
Security of Persons and Property	5,167,121	0	0
Public Health and Welfare Services	108,083	0	0
Leisure Time Activities	926,678	0	0
Community Environment	1,364,530	0	0
Transportation	0	1,841,309	0
General Government	2,709,590	0	20,011
Capital Outlay	0	0	2,769,747
Total Expenditures	10,276,002	1,841,309	2,789,758
Excess (Deficiency) of Revenues Over Expenditures	6,832,192	(1,429,654)	(2,359,378)
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	46,931	0	0
Transfers In	0	1,432,580	2,553,486
Transfers Out	(4,281,985)	0	0
Total Other Financing Sources (Uses)	(4,235,054)	1,432,580	2,553,486
Net Change in Fund Balances	2,597,138	2,926	194,108
Fund Balances at Beginning of Year	16,199,534	47,270	5,051,952
Change in Inventory Reserve	(117,212)	(1,868)	0
Fund Balances End of Year	\$ 18,679,460	\$ 48,328	\$ 5,246,060

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 14,442,060
0	735,208
879,473	2,008,047
262,190	631,143
0	20,574
959,196	1,561,048
2,442	17,362
92,272	730,360
<u>2,195,573</u>	<u>20,145,802</u>
869,487	6,036,608
0	108,083
578,626	1,505,304
0	1,364,530
165,023	2,006,332
1,730	2,731,331
9,050	2,778,797
<u>1,623,916</u>	<u>16,530,985</u>
571,657	3,614,817
0	46,931
295,919	4,281,985
0	(4,281,985)
<u>295,919</u>	<u>46,931</u>
867,576	3,661,748
7,826,330	29,125,086
0	(119,080)
<u>\$ 8,693,906</u>	<u>\$ 32,667,754</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 3,661,748

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. 1,265,205

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. (325,314)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,021,320)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 965,581

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities. (2,169,749)

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. (179,043)

Change in Net Position of Governmental Activities \$ 1,197,108

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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$ 721,600	\$ 721,600	\$ 735,208	\$ 13,608
Intergovernmental Revenue	293,700	293,700	296,316	2,616
Charges for Services	333,000	333,000	359,983	26,983
Licenses and Permits	1,000	1,000	20,574	19,574
Investment Earnings	325,000	325,000	361,963	36,963
Fines and Forfeitures	30,000	30,000	14,920	(15,080)
All Other Revenues	41,600	41,600	472,641	431,041
Total Revenues	<u>1,745,900</u>	<u>1,745,900</u>	<u>2,261,605</u>	<u>515,705</u>
Expenditures:				
Current:				
Security of Persons and Property	6,028,660	6,028,660	5,173,931	854,729
Public Health and Welfare	114,200	114,200	107,992	6,208
Leisure Time Activities	991,242	988,490	876,256	112,234
Community Environment	1,555,775	1,555,775	1,361,148	194,627
General Government	2,871,886	2,876,604	2,705,020	171,584
Total Expenditures	<u>11,561,763</u>	<u>11,563,729</u>	<u>10,224,347</u>	<u>1,339,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,815,863)	(9,817,829)	(7,962,742)	1,855,087
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	25,000	25,000	46,931	21,931
Transfers In	14,810,000	14,810,000	9,278,810	(5,531,190)
Transfers Out	(1,550,335)	(1,550,335)	(1,508,976)	41,359
Advances Out	0	(250,000)	(250,000)	0
Total Other Financing Sources (Uses):	<u>13,284,665</u>	<u>13,034,665</u>	<u>7,566,765</u>	<u>(5,467,900)</u>
Net Change in Fund Balance	3,468,802	3,216,836	(395,977)	(3,612,813)
Fund Balance at Beginning of Year	3,969,796	3,969,796	3,969,796	0
Prior Year Encumbrances	20,148	20,148	20,148	0
Fund Balance at End of Year	<u>\$ 7,458,746</u>	<u>\$ 7,206,780</u>	<u>\$ 3,593,967</u>	<u>\$ (3,612,813)</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 420,000	\$ 420,000	\$ 402,445	\$ (17,555)
Total Revenues	<u>420,000</u>	<u>420,000</u>	<u>402,445</u>	<u>(17,555)</u>
Expenditures:				
Current:				
Transportation	1,890,950	1,890,950	1,835,025	55,925
Total Expenditures	<u>1,890,950</u>	<u>1,890,950</u>	<u>1,835,025</u>	<u>55,925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,470,950)	(1,470,950)	(1,432,580)	38,370
Other Financing Sources (Uses):				
Transfers In	1,470,950	1,470,950	1,432,580	(38,370)
Total Other Financing Sources (Uses):	<u>1,470,950</u>	<u>1,470,950</u>	<u>1,432,580</u>	<u>(38,370)</u>
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	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position
Proprietary Fund
December 31, 2020

	Business-Type Activities - Waterworks
Assets:	
Current assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,215,454
Accounts receivable	1,388,269
Intergovernmental receivable	12,499
Due from Other Funds	1,092
Inventory of Supplies at Cost	139,709
Prepaid Items	22,307
Total current assets	4,779,330
Noncurrent assets:	
Capital assets:	
Non-Depreciable Capital Assets	319,602
Depreciable Capital Assets, Net	15,550,568
Total noncurrent assets	15,870,170
Total assets	20,649,500
Deferred Outflows of Resources:	
Pension	173,011
OPEB	119,527
Total Deferred Outflows of Resources	292,538
Liabilities:	
Current liabilities:	
Accounts Payable	162,117
Accrued Wages and Benefits Payable	34,837
Intergovernmental Payable	568,122
Accrued Interest Payable	1,716
General Obligation Bonds Payable - Current	234,000
Compensated Absences - Current	50,357
Total Current Liabilities	1,051,149
Noncurrent Liabilities:	
General Obligation Bonds Payable	1,638,000
Compensated Absences Payable	93,762
Net Pension Liability	1,093,765
Net OPEB Liability	739,313
Total noncurrent liabilities	3,564,840
Total Liabilities	4,615,989
Deferred Inflows of Resources:	
Pension	245,638
OPEB	110,255
Total Deferred Inflows of Resources	355,893
Net Position:	
Net Investment in Capital Assets	13,998,170
Unrestricted	1,971,986
Total Net Position	\$ 15,970,156

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, 2020**

	Business-Type Activities - Waterworks
Operating Revenues:	
Charges for Services	\$ 6,589,924
Other Operating Revenues	58,226
Total Operating Revenues	<u>6,648,150</u>
Operating Expenses:	
Personal Services	1,236,397
Contractual Services	3,013,479
Materials and Supplies	346,576
Utilities	267,525
Depreciation	552,909
Total Operating Expenses	<u>5,416,886</u>
Operating Income (Loss)	1,231,264
Non-Operating Revenue (Expenses):	
Other Non-Operating Revenue	85,592
Interest and Fiscal Charges	(88,055)
Investment Earnings	34,070
Total Non-Operating Revenues (Expenses)	<u>31,607</u>
Change in Net Position	1,262,871
Net Position Beginning of Year	<u>14,707,285</u>
Net Position End of Year	<u>\$ 15,970,156</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, 2020

	Business-Type Activities Waterworks
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$6,545,066
Other Operating Cash Receipts	58,226
Cash Payments for Goods and Services	(3,586,174)
Cash Payments to Employees	(1,169,970)
Net Cash Provided by Operating Activities	1,847,148
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(1,042,562)
Payment to Refunded Bond Escrow Agent	(2,079,543)
Principal Paid on General Obligation Bond	(235,000)
Issuance of Refunding Bond	2,107,000
Interest Paid on All Debt	(73,310)
Net Cash Used for Capital and Related Financing Activities	(1,323,415)
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	34,070
Net Cash Provided by Investing Activities	34,070
Net Increase in Cash and Cash Equivalents	557,803
Cash and Cash Equivalents at Beginning of Year	2,657,651
Cash and Cash Equivalents at End of Year	\$3,215,454
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$1,231,264
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	552,909
Miscellaneous Nonoperating Revenues	73,777
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(44,952)
Decrease in Intergovernmental Receivable	317
Decrease in Due from Other Funds	94
Increase in Inventory	(48,359)
Increase in Prepaid Items	(3,790)
Decrease in Deferred Outflows - Pension	293,018
Increase in Deferred Outflows - OPEB	(54,534)
Increase in Accounts Payable	18,710
Increase in Accrued Wages and Benefits	9,243
Decrease in Intergovernmental Payable	(1,920)
Decrease in Compensated Absences Payable	(87,546)
Increase in Deferred Inflows - Pension	225,299
Increase in Deferred Inflows - OPEB	108,332
Decrease in Net Pension Liability	(455,243)
Increase in Net OPEB Liability	30,529
Total Adjustments	615,884
Net Cash Provided by Operating Activities	\$1,847,148

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2020 the Waterworks Fund had an outstanding liability of \$117,313 for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Statement of Net Position
Fiduciary Funds
December 31, 2020

	Private Purpose Trust Fund	Custodial Fund
Assets:		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 100,000	\$ 19,826
Total Assets	<u>100,000</u>	<u>19,826</u>
Liabilities:		
Intergovernmental Payable	0	19,826
Total Liabilities	<u>0</u>	<u>19,826</u>
Net Position:		
Unrestricted	100,000	0
Total Net Position	<u>\$ 100,000</u>	<u>\$ 0</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, 2020**

	Private Purpose Trust	
	<u>Camp Jim B. Fund</u>	<u>Custodial Fund</u>
Additions:		
Contributions:		
Donations from City	\$ 6,626	\$ 0
Private Donations	374	0
Miscellaneous Revenues	0	89,415
Total Additions	<u>7,000</u>	<u>89,415</u>
Deductions:		
Community Gifts, Awards and Scholarships	7,000	0
Other Distributions	0	89,415
Total Deductions	<u>7,000</u>	<u>89,415</u>
Change in Net Position	0	0
Net Position at Beginning of Year	<u>100,000</u>	<u>0</u>
Net Position End of Year	<u>\$ 100,000</u>	<u>\$ 0</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, 2020

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, 2020 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, 2020

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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Custodial Fund - This fund is used to account for assets held by a government unit as a custodian for individuals, private organizations, other governmental units, and/or other funds. The City's custodial fund accounts 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, 2020

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, 2020

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, 2020 but which are not intended to finance 2020 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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

All funds, other than custodial 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 2020, 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 2020.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2020**

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)	\$2,597,138	\$2,926
Increase (Decrease):		
Accrued Revenues at December 31, 2020 received during 2021	(1,124,606)	(78,526)
Accrued Revenues at December 31, 2019 received during 2020	500,029	69,316
Accrued Expenditures at December 31, 2020 paid during 2021	312,477	47,860
Accrued Expenditures at December 31, 2019 paid during 2020	(236,840)	(35,317)
2020 Mark to Market Adjustment	(518,026)	0
2019 Mark to Market Adjustment	278,137	0
2020 Prepays for 2021	(87,019)	(17,269)
2019 Prepays for 2020	54,558	11,010
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(2,137,703)	0
Outstanding Encumbrances	(34,122)	0
Budget Basis	(\$395,977)	\$0

F. Cash and Cash Equivalents

During fiscal year 2020, 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, 2020

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 2020, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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, 2020, 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, 2020

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 acquisition 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 acquisition 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, 2020

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	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, 2020 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, 2020

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, 2020

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, 2020

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.

This Space Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities.” GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.

This change was incorporated in the City’s 2020 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned 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	\$87,019	\$17,269	\$0	\$1,342	\$105,630
Supplies Inventory	282,348	393	0	0	282,741
Unclaimed Money	31,848	0	0	0	31,848
Endowment	0	0	0	3,217,383	3,217,383
Total Nonspendable	401,215	17,662	0	3,218,725	3,637,602
Restricted:					
Transportation Projects	0	30,666	0	161,488	192,154
Court Projects	0	0	0	7,717	7,717
Law Enforcement	0	0	0	8,397	8,397
Law & Fire Department Awards	0	0	0	3,626	3,626
Total Restricted	0	30,666	0	181,228	211,894
Committed:					
Maintenance of Green Areas	0	0	0	571,558	571,558
Arboretum Operations	0	0	0	4,301,870	4,301,870
Shooting Club Operations	0	0	0	197,808	197,808
Recreation	0	0	0	69,532	69,532
Rangers	0	0	0	153,185	153,185
Retirement Payments	1,219,083	0	0	0	1,219,083
Capital Improvements	0	0	5,246,060	0	5,246,060
Total Committed	1,219,083	0	5,246,060	5,293,953	11,759,096
Assigned:					
Goods and Services	21,416	0	0	0	21,416
Unassigned	17,037,746	0	0	0	17,037,746
Total Fund Balances	\$18,679,460	\$48,328	\$5,246,060	\$8,693,906	\$32,667,754

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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	\$2,952,005
Depreciation Expense	(1,686,800)
	<u>\$1,265,205</u>

Governmental revenues not reported in the funds:

Decrease in Tax Revenue	(\$2,024,072)
Increase in Grants Receivable	2,752
	<u>(\$2,021,320)</u>

Contractually required contributions reported as deferred outflows:

Pension	\$954,927
OPEB	10,654
	<u>\$965,581</u>

Pension and OPEB expense:

Pension	(\$1,635,175)
OPEB	(534,574)
	<u>(\$2,169,749)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$59,963)
Decrease in Inventory	(119,080)
	<u>(\$179,043)</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2020

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, 2020

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 \$6,455,543 and the bank balance was \$7,167,747. Federal depository insurance covered \$1,000,000 of the bank balance and \$6,167,747 was uninsured and collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2020 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)			
					less than 1	1-3	3-5	more than 5
Exchange Traded Fund (ETF)	\$57,558	N/A	Level 2	0.20%	\$0	\$0	\$0	\$0
Vanguard Money Market	6,380	N/A	N/A	0.02%	6,380	0	0	0
Vanguard Stock Market Index	3,211,003	N/A	Level 2	11.30%	3,211,003	0	0	0
US Treasury Notes	11,856,659	N/A - Aaa ^{1,2}	Level 1	41.71%	3,932,840	6,739,058	1,106,695	78,066
Star Ohio	4,048	AAA ¹	N/A	0.00%	4,048	0	0	0
Negotiable C/D's	2,836,252	N/A	Level 2	9.98%	561,444	2,075,156	199,652	0
Freddie Mac	35,811	AA+, Aaa ^{1,2}	Level 2	0.13%	0	35,811	0	0
FNMA	2,998,858	AA+, Aaa ^{1,2}	Level 2	10.55%	1,308,982	1,006,048	649,633	34,195
FHLB	1,540,857	AA+, Aaa ^{1,2}	Level 2	5.42%	402,148	1,138,709	0	0
FFCB	720,184	AA+, Aaa ^{1,2}	Level 2	2.53%	0	720,184	0	0
FHLMC	1,452,532	AA+, Aaa ^{1,2}	Level 2	5.11%	0	1,414,597	37,935	0
REIT's	188,700	N/A	Level 2	0.66%	0	0	0	0
Corporate Bonds	616,081	N/A	Level 1	2.17%	76,503	213,090	226,426	100,062
Common Stock	2,898,911	N/A	Level 1	10.20%	0	0	0	0
Total Investments	\$28,423,834			100.00%	\$9,503,348	\$13,342,653	\$2,220,341	\$212,323

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, 2020

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.

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 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, 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 2020. 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, 2020 was \$.96 per \$1,000 of assessed value. The assessed value upon which the 2020 levy was based was \$929,456,080. This amount constitutes \$925,808,960 in real property assessed value, \$3,647,120 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, 2020**

NOTE 6 - TAXES (Continued)

B. Income Tax

The City levies a resident income tax of .525% based upon 2020 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 2020, income tax revenue on the full accrual basis totaled \$12,401,928.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2020 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 2020:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$4,281,985
Street Construction, Maintenance, and Repair Fund	1,432,580	0
Capital Improvement Reserve Fund	2,553,486	0
Other Governmental Funds	295,919	0
Total Governmental Funds	<u>\$4,281,985</u>	<u>\$4,281,985</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. The transfers out of the General Fund into the Other Governmental Funds were seed money for two new special revenue funds.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
<i>Non-Depreciable Capital Assets:</i>				
Green Areas Land	\$57,290,546	\$119,120	\$0	\$57,409,666
Land, All Other	27,245,184	0	0	27,245,184
Construction in Progress	816,098	362,705	(399,275)	779,528
Total Non-Depreciable Capital Assets	<u>85,351,828</u>	<u>481,825</u>	<u>(399,275)</u>	<u>85,434,378</u>
<i>Depreciable Capital Assets:</i>				
Buildings	11,713,401	242,075	0	11,955,476
Improvements Other than Buildings	5,983,643	722,032	0	6,705,675
Infrastructure	15,035,846	959,718	(699,205)	15,296,359
Machinery and Equipment	6,099,692	945,630	(444,568)	6,600,754
Total Depreciable Capital Assets	<u>38,832,582</u>	<u>2,869,455</u>	<u>(1,143,773)</u>	<u>40,558,264</u>
Total Cost	<u>\$124,184,410</u>	<u>\$3,351,280</u>	<u>(\$1,543,048)</u>	<u>\$125,992,642</u>

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Buildings	(\$2,865,455)	(\$205,679)	\$0	(\$3,071,134)
Improvements Other than Buildings	(2,381,320)	(297,520)	0	(2,678,840)
Infrastructure	(7,886,734)	(549,031)	381,483	(8,054,282)
Machinery and Equipment	(3,930,703)	(634,570)	436,976	(4,128,297)
Total Depreciation	<u>(\$17,064,212)</u>	<u>(\$1,686,800) *</u>	<u>\$818,459</u>	<u>(\$17,932,553)</u>
<i>Net Value:</i>	<u>\$107,120,198</u>			<u>\$108,060,089</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	\$153,945
Security of Persons and Property	144,657
Transportation	1,058,081
Leisure Time Activities	181,246
Community Environment	148,871
Total Depreciation Expense	<u>\$1,686,800</u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
<i>Non-Depreciable Capital Assets:</i>				
Land	\$84,087	\$0	\$0	\$84,087
Construction in Progress	88,907	235,515	(88,907)	235,515
Total Non-Depreciable Capital Assets	<u>172,994</u>	<u>235,515</u>	<u>(88,907)</u>	<u>319,602</u>
<i>Depreciable Capital Assets:</i>				
Buildings	5,272,090	0	0	5,272,090
Improvements Other than Buildings	16,581,014	874,561	(32,873)	17,422,702
Machinery and Equipment	3,847,145	134,476	(50,120)	3,931,501
Total Depreciable Capital Assets	<u>25,700,249</u>	<u>1,009,037</u>	<u>(82,993)</u>	<u>26,626,293</u>
Total Cost	<u>\$25,873,243</u>	<u>\$1,244,552</u>	<u>(\$171,900)</u>	<u>\$26,945,895</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2019	Additions	Deletions	December 31, 2020
Buildings	(\$1,832,253)	(\$88,894)	\$0	(\$1,921,147)
Improvements Other than Buildings	(7,047,818)	(305,405)	32,873	(7,320,350)
Machinery and Equipment	(1,725,738)	(158,610)	50,120	(1,834,228)
Total Depreciation	<u>(\$10,605,809)</u>	<u>(\$552,909)</u>	<u>\$82,993</u>	<u>(\$11,075,725)</u>
<i>Net Value:</i>	<u>\$15,267,434</u>			<u>\$15,870,170</u>

This space intentionally left blank.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2020

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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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 3.00% 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 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS Comprehensive Annual Financial Report.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	State and Local	Law Enforcement
2020 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	*
2020 Actual Contribution Rates		
Employer:		
Pension	14.0 %	18.1 %
Post-employment Health Care Benefits	0.0	0.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

* This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$662,858 for 2020.

This Space Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org 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 3.00% 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 3.00% 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, 2020**

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
2020 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2020 through December 31, 2020	12.25 %
2020 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2020 through December 31, 2020	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$404,841 for 2020.

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, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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	\$6,428,989	\$5,562,809	\$11,991,798
Proportion of the Net Pension Liability-2020	0.032526%	0.082577%	
Proportion of the Net Pension Liability-2019	0.033134%	0.083476%	
Percentage Change	(0.000608%)	(0.000899%)	
Pension Expense	\$1,055,244	\$755,777	\$1,811,021

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2020, 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	\$343,388	\$136,554	\$479,942
Differences between expected and actual experience	0	210,570	210,570
Change in proportionate share	10,651	136,545	147,196
City contributions subsequent to the measurement date	662,858	404,841	1,067,699
Total Deferred Outflows of Resources	<u>\$1,016,897</u>	<u>\$888,510</u>	<u>\$1,905,407</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,282,437	\$268,730	\$1,551,167
Differences between expected and actual experience	81,286	286,896	368,182
Change in proportionate share	80,103	48,415	128,518
Total Deferred Inflows of Resources	<u>\$1,443,826</u>	<u>\$604,041</u>	<u>\$2,047,867</u>

\$1,067,699 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, 2021. 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:			
2021	(\$190,901)	(\$12,548)	(\$203,449)
2022	(442,780)	21,859	(420,921)
2023	53,104	144,231	197,335
2024	(509,210)	(245,123)	(754,333)
2025	0	(28,791)	(28,791)
Total	<u>(\$1,089,787)</u>	<u>(\$120,372)</u>	<u>(\$1,210,159)</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, 2020

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, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2019
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)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2018
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	7.2 percent
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 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 2019, 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 17.2% for 2019.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

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 2019 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	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$10,603,476	\$6,428,989	\$2,676,239

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, compared with January 1, 2018, are presented below.

	January 1, 2019	January 1, 2018
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2019 valuation, 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 Buck 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

For the January 1, 2019 valuation, 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 Buck Modified 2016 Improvement Scale.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

* levered 2x

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 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.

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	\$7,709,858	\$5,562,809	\$3,767,013

This Space Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2020

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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Comprehensive Annual Financial Report 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. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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, 2020

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 0 percent during calendar year 2020. 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 2020 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 2020.

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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental 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, 2020**

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 2020, 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 \$10,654 for 2020.

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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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	\$4,345,579	\$815,670	\$5,161,249
Proportion of the Net OPEB Liability-2020	0.031461%	0.082577%	
Proportion of the Net OPEB Liability-2019	0.031849%	0.083476%	
Percentage Change	<u>(0.000388%)</u>	<u>(0.000899%)</u>	
OPEB Expense	\$508,369	\$110,532	\$618,901

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, 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	\$687,857	\$476,872	\$1,164,729
Differences between expected and actual experience	118	0	118
Change in proportionate share	14,556	135,361	149,917
City contributions subsequent to the measurement date	<u>0</u>	<u>10,654</u>	<u>10,654</u>
Total Deferred Outflows of Resources	<u><u>\$702,531</u></u>	<u><u>\$622,887</u></u>	<u><u>\$1,325,418</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$221,277	\$37,533	\$258,810
Differences between expected and actual experience	397,424	87,718	485,142
Changes in assumptions	0	173,832	173,832
Change in proportionate share	<u>29,364</u>	<u>5,339</u>	<u>34,703</u>
Total Deferred Inflows of Resources	<u><u>\$648,065</u></u>	<u><u>\$304,422</u></u>	<u><u>\$952,487</u></u>

\$10,654 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2021	\$108,274	\$58,236	\$166,510
2022	40,574	58,235	98,809
2023	175	65,937	66,112
2024	(94,557)	53,799	(40,758)
2025	0	55,005	55,005
2026	0	10,204	10,204
2027	<u>0</u>	<u>6,395</u>	<u>6,395</u>
Total	<u><u>\$54,466</u></u>	<u><u>\$307,811</u></u>	<u><u>\$362,277</u></u>

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

During 2019, 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 was 19.7 percent for 2019.

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 2019 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	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 6.00 percent and a municipal bond rate of 2.75 percent.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$5,686,890	\$4,345,579	\$3,271,629

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 2020 is 10.50 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 3.50 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	\$4,217,347	\$4,345,579	\$4,472,181

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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.

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, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	3.56 percent	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	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 Buck 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, 2019, are summarized below:

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

* levered 2x

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 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 For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 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 of 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 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, 2020

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 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 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$1,011,379	\$815,670	\$653,050

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes between Measurement Date and Report Date There was a decrease in the discount rate from 4.66 percent at the prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

NOTE 12 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the City for the year ended December 31, 2020 is as follows:

		Balance December 31, 2019	Issued	(Retired)	Balance December 31, 2020	Amount Due Within One Year
Governmental Activities:						
Compensated Absences		\$1,858,714	\$1,918,677	(\$1,858,714)	\$1,918,677	\$484,619
Total Governmental Activities		\$1,858,714	\$1,918,677	(\$1,858,714)	\$1,918,677	\$484,619
Business-Type Activities:						
General Obligation Bonds:						
2.00-4.15%						
2009 Water Works Bonds	2028	\$2,060,000	\$0	(\$2,060,000)	\$0	\$0
1.1%						
2020 Water Works Refunding Bonds	2028	0	2,107,000	(235,000)	1,872,000	234,000
Total General Obligation Bonds		2,060,000	2,107,000	(2,295,000)	1,872,000	234,000
Compensated Absences		231,665	144,119	(231,665)	144,119	50,357
Total Business-Type Activities		\$2,291,665	\$2,251,119	(\$2,526,665)	\$2,016,119	\$284,357

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2020 are as follows:

Years	General Obligation Bonds	
	Principal	Interest
2021	\$234,000	\$20,592
2022	234,000	18,018
2023	234,000	15,444
2024	234,000	12,870
2025	234,000	10,296
2026-2028	702,000	15,444
Totals	<u>\$1,872,000</u>	<u>\$92,664</u>

B. Defeased Debt

In July 2020, the City defeased it's Waterworks General Obligation Bonds (\$2,060,000) through the issuance of \$2,107,000 of Waterworks General Obligation Refunding Revenue Bonds. The net proceeds of the 2020 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,860,000 at December 31, 2020 are not included in the City's outstanding debt since the County has in-substance satisfied its obligations through the advance refunding. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$239,083 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$226,153.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2020, 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	\$2,000,000	per occurrence
Public Officials/Personal Injury	12,000,000	per occurrence
Property	500,000,000	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, 2020**

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, 2020 is \$0. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$0 reported at December 31, 2020, 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:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2019	\$0	\$698,454	(\$698,454)	\$0
2020	\$0	\$695,601	(\$695,601)	\$0

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

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, 2020.

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.

NOTE 16 – COVID - 19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

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

Ohio Public Employees Retirement System

Year	2013	2014	2015
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	2013	2014	2015
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.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See accompanying notes to the required supplementary information

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
0.0319174%	0.0329367%	0.0331340%	0.032526%
\$7,247,908	\$5,167,132	\$9,074,734	\$6,428,989
\$4,125,983	\$4,352,623	\$4,475,343	\$4,576,307
175.66%	118.71%	202.77%	140.48%
77.25%	84.66%	74.70%	82.17%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
0.0791120%	0.0825190%	0.0834760%	0.082577%
\$5,010,873	\$5,064,563	\$6,813,848	\$5,562,809
\$1,889,974	\$2,002,737	\$2,097,311	\$2,177,811
265.13%	252.88%	324.89%	255.43%
68.36%	70.91%	63.07%	69.89%

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

***Schedule of City's Pension Contributions
Last Eight 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.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$495,118	\$565,841	\$626,548	\$640,683	\$662,858
<u>495,118</u>	<u>565,841</u>	<u>626,548</u>	<u>640,683</u>	<u>662,858</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,125,983	\$4,352,623	\$4,475,343	\$4,576,307	\$4,734,700
12.00%	13.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$359,095	\$380,520	\$398,489	\$413,784	\$404,841
<u>359,095</u>	<u>380,520</u>	<u>398,489</u>	<u>413,784</u>	<u>404,841</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,889,974	\$2,002,737	\$2,097,311	\$2,177,811	\$2,130,742
19.00%	19.00%	19.00%	19.00%	19.00%

This Page Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

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

Ohio Public Employees Retirement System

Year	2016	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.0306353%	0.0315274%	0.0318490%	0.031461%
City's proportionate share of the net OPEB liability (asset)	\$3,094,272	\$3,423,643	\$4,152,356	\$4,345,579
City's covered payroll	\$4,125,983	\$4,352,623	\$4,475,343	\$4,576,307
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.99%	78.66%	92.78%	94.96%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%	47.80%

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

Ohio Police and Fire Pension Fund

Year	2016	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.0791120%	0.0825190%	0.0834760%	0.082577%
City's proportionate share of the net OPEB liability (asset)	\$3,755,267	\$4,675,411	\$760,177	\$815,670
City's covered payroll	\$1,889,974	\$2,002,737	\$2,097,311	\$2,177,811
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	198.69%	233.45%	36.25%	37.45%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%	47.08%

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

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

**Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Eight 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.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$82,520	\$43,526	\$0	\$0	\$0
<u>82,520</u>	<u>43,526</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,125,983	\$4,352,623	\$4,475,343	\$4,576,307	\$4,734,700
2.00%	1.00%	0.00%	0.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$9,450	\$10,014	\$10,487	\$10,889	\$10,654
<u>9,450</u>	<u>10,014</u>	<u>10,487</u>	<u>10,889</u>	<u>10,654</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,889,974	\$2,002,737	\$2,097,311	\$2,177,811	\$2,130,742
0.50%	0.50%	0.50%	0.50%	0.50%

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

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 the 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%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

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

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

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

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

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%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

This Space Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020: There were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

This Page Intentionally Left Blank

CITY OF THE VILLAGE OF INDIAN HILL, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass - Through Grantor, Program Title	Pass Through Entity Number	CFDA	Expenditures
<u>US DEPARTMENT OF THE TREASURY</u>			
<i>Pass Through Ohio Office of Budget and Management:</i>			
Coronavirus Relief Fund	HB481-CRF-Local	21.019	\$771,679
Subtotal - U.S. Department of the Treasury			<u>771,679</u>
Total Expenditures of Federal Awards			<u><u>\$771,679</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The City did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Honorable Mayor, City Council, and City Manager
City of the Village of Indian Hill, Ohio

We have audited, in accordance with the 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, 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 (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 28, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor, City Council, and City Manager
City of the Village of Indian Hill, Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of the Village of Indian Hill's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

July 28, 2021

**CITY OF THE VILLAGE OF INDIAN HILL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Coronavirus Relief Fund - CFDA# 21.019

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

**CITY OF THE VILLAGE OF INDIAN HILL
SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
Year Ended December 31, 2020**

The City had no prior audit findings or questioned costs.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF THE VILLAGE OF INDIAN HILL

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov