

**Village of Greenhills
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited**

This discussion and analysis of the Village of Greenhills financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009, within the limitations of the Village's modified cash basis accounting. Readers also should review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Highlights for 2009 are as follows: Total 2009 revenues were below 2008 revenues by approximately 41%. The largest factor was the 2008 issuances of a \$2,195,000 Councilmatic Bond. The General Fund revenue was down 16%, experiencing reduced income taxes and estate taxes. Income tax collections decreased 5%, reflecting current economic trends. Rent receipts in the Apartment Operation Fund decreased 22%, as fewer units were occupied.

The Municipal Residential Redevelopment Program remains a significant economic activity to the Village, and more detail appears later in this analysis.

Interest earnings are at the lowest point in decades. Interest rates fell from 1.41% as of December 31, 2008, to 0.125% as of December 31, 2009. The Village of Greenhills maintains funds at PNC Bank (0.15%) and STAR Ohio (0.10%).

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the modified cash basis of accounting.

Reporting the Village as a Whole

The Village of Greenhills was founded by the Federal Government in 1938. It is a Charter Municipality in the form of a Mayor-Council-Manager Plan (since 1989), governed by the Mayor and six elected Councilmembers. The Manager is the Chief Executive and Administrative Officer responsible to Council for the administration of the Municipality. Greenhills is a landlocked residential community of 1.2 square miles, located in Hamilton County, and within ten miles of the City of Cincinnati. The 2000 Census Population was 4,301; however, the present population is estimated to be 3,750. The 2009 total assessed valuation of the Village of Greenhills is \$63,592,710.

Reports

The statement of net assets and the statement of activities reflect how the Village performed financially during 2009, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village of Greenhills' general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or not. When evaluating the Village's financial condition, you also should consider other nonfinancial factors as well, such as the

Village's property tax base, income tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Village activities all are considered governmental activities: All of the Village's basic services are reported here, including police, fire contract and equipment, streets, apartment operations, and recreation. Property taxes, income taxes, state-shared, and charges support most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to comply with Ohio laws, to better manage its many activities, and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

All the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. Governmental funds are sub-divided into the General Fund, Special Revenue Funds, Debt Retirement Funds, Capital Improvement Funds, and Special Assessment Funds. Of these, the major 2009 funds are the General Fund, Apartment Operation Fund, and the Debt Retirement Funds.

The Government as a Whole

Table 1 provides a summary of the Village's net assets (cash and/or cash equivalents only) for 2009 compared to 2008 on a modified cash basis.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets				
Cash/Cash Equivalents	\$822,159.87	\$969,471.59	\$822,159.87	\$969,471.59
Investments	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Assets	\$822,159.87	\$969,471.59	\$822,159.87	\$969,471.59
Net Assets				
Restricted for:				
Debt Service	\$ 153,208.74	\$225,569.68	\$ 153,208.74	\$225,569.68
Capital Outlay	\$ 71,725.88	\$ 40,423.91	\$ 71,725.88	\$ 40,423.91
Other Purposes	\$ 308,345.76	\$245,766.06	\$ 308,345.76	\$245,766.06
Unrestricted	\$ 288,879.49	\$457,711.94	\$ 288,879.49	\$457,711.94
Total Net Assets	\$ 822,159.87	\$969,471.59	\$ 822,159.87	\$969,471.59

Net assets of the Village decreased \$147,311.72 during 2009. The primary reasons contributing to the decreases in cash balances are as follows:

- Decreased estate tax revenues. We had received an unexpected windfall in 2008. Anticipated revenue in this category always has been modest. Actual receipts over the years have been estimated at \$50,000.
- Decreased income tax revenues. The Village has seen a downturn over the past several years in income tax receipts. Village residents are experiencing the same un- and under-employment that the entire country is experiencing.
- Increased costs for merchandise and services, including the engaging of consultants in several areas where their expertise will prove beneficial to the Village.
- Increased debt retirement payments. 2009 and the next several years will require large principal/interest payments on the 2008 Councilmatic bond.
- General Fund subsidy of other funds operations and activities.

Table 2 reflects the changes in net assets in 2009.

Table 2

Changes in Net Assets

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
Receipts:		
Program Receipts: Operating Grants and Contributions	\$ 172,829.62	\$ 186,982.51
Charges for Services	<u>\$ 667,660.80</u>	<u>\$ 736,872.42</u>
Total Program Receipts	\$ 840,490.42	\$ 923,854.93
General Receipts:		
Property & Other Local Taxes	\$1,378,901.46	\$1,055,044.79
Income Taxes	\$1,086,085.53	\$1,141,861.78
Interest	\$ 5,562.88	\$ 28,252.52
Miscellaneous	\$ 81,715.45	\$ 181,071.02
Grants and Entitlements	\$ 309,556.84	\$ 901,134.00
Sale of Bond	\$ 0.00	\$2,186,108.25
Sale of Assets	<u>\$ 90.00</u>	<u>\$ 70,101.80</u>
Total General Receipts	<u>\$2,861,912.12</u>	<u>\$5,563,574.16</u>
Total Receipts	\$3,702,402.58	\$6,487,429.09
Disbursements:		
Security of Persons & Property	\$ 866,593.29	\$ 992,259.79
Public Health Services	\$ 3,603.00	\$ 3,500.04
Leisure Time Activities	\$ 224,495.21	\$ 214,147.47
Community Environment	\$ 972,865.02	\$ 831,926.34
Transportation	\$ 98,452.96	\$ 69,256.68
General Government	\$ 915,000.18	\$ 794,032.46
Capital Outlay	\$ 177,398.37	\$ 109,382.65
Debt Service:		
Principal	\$ 260,000.00	\$2,560,000.00
Interest	\$ 233,352.69	\$ 217,671.40
Other	\$ 98,513.41	\$ 116,380.08
Total Disbursements	\$3,850,274.13	\$5,908,556.91
Excess (Deficiency) Before Transfers	(\$147,871.55)	\$ 578,872.18
Increase (Decrease) in Net Assets	(\$147,871.55)	\$ 578,872.18
Net Assets January 1, 2009	\$ 970,031.42*	\$ 390,599.41
Net Assets, December 31, 2009	\$ 822,159.87	\$ 969,471.59

*stale check added back in: \$559.83.

Program receipts represent only 5% of total receipts and are primarily comprised of restricted intergovernmental receipts, such as motor vehicle license and gasoline tax money, building permits and inspection fees.

General fund receipts represent 55% of the Village's total receipts, and of this amount, over 50% are income taxes. State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts can be somewhat insignificant and somewhat unpredictable.

Disbursements for General Government represent the overhead costs of operating the Village and the support services provided for the other Village activities. These include

the costs of the Mayor, Council, Law Director, finance activities, and income tax department, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of the police department and the contract with the Greenhills Volunteer Fire Department. Leisure time activities include the costs of the Golf Course, Swimming Pool, Banquet Hall (Molloy's-on-the-Green), and the activities attributed to the Recreation Levy (including senior activities). Community Environment refers to the Service Department, and includes payments to Rumpke for trash collection and recycling. Transportation refers to the maintenance of streets throughout the Village, including street repairs and the costs of snow removal.

Governmental Activities

The Statement of Activities shows the major services provided by the Village in Column 1. The next column identifies the costs of providing these services. The major program disbursements are for security of persons and property and the service department, which account for 23% and 25% of governmental disbursements, respectively. General government represents a significant cost, about 24%. The next two columns identify amounts paid by people who are directly charged for services and grants received that must be used to provide a specific service. The Changes in Net Assets column compares the receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers.

Table 3

Governmental Activities

	<u>Disbursements</u>	<u>Charge for Services</u>	<u>Operating Grants & Contributions</u>	<u>Changes in Net Assets</u>
Security of Persons & Property	\$ 866,593.29	\$ 0.00	\$ 0.00	\$ -866,593.29
Public Health Services	\$ 3,603.00	\$ 0.00	\$ 0.00	\$ -3,603.00
Leisure Time Activities	\$ 224,495.21	\$ 162,407.71	\$ 0.00	\$ -62,087.50
Service Department	\$ 972,865.02	\$ 28,687.66	\$ 0.00	\$ -944,177.36
Basic Utility Service	\$ 0.00	\$ 373,773.71	\$ 0.00	\$ 373,773.71
Transportation	\$ 98,452.96	\$ 0.00	\$ 172,829.62	\$ 74,376.66
General Government	\$ 915,000.18	\$ 102,791.92	\$ 0.00	\$ -812,208.46
Capital Outlay	\$ 177,398.37	\$ 0.00	\$ 0.00	\$ -177,398.37
Debt Service:				
Principal	\$ 260,000.00	\$ 0.00	\$ 0.00	\$ -260,000.00
Interest	\$ 233,352.69	\$ 0.00	\$ 0.00	\$ -233,352.69
<u>Other</u>	<u>\$ 98,513.41</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ -98,513.41</u>
Total Government Activities	\$3,850,274.13	\$ 667,660.80	\$ 172,829.62	\$-3,009,783.71

The Government's Funds

Total governmental funds had receipts of \$3,702,402.58 and disbursements of \$3,850,274.13. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$168,832.45, or 37%, as the result of increased costs for benefits, consultants, decreased estate taxes, and transfers or subsidies to other funds.

The Streets Maintenance Fund made the second last payment toward reducing debt attributable to the Streets reconstruction projects as part of the Redevelopment Program that included granite curbs in designated sections of the Village. The Apartment Operations Fund receives rental income from those units not yet razed, sold, or rehabbed to be sold. Sixty-six townhomes are owned by the Village, with approximately half rented and eight for sale. The rental receipts are used for utilities, property taxes, property insurance, maintenance, and repair. Rental receipts also provide for some capital expenditures including deconstruction.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budget fund is the General Fund.

During 2009, the Village amended its appropriations several times to reflect changing circumstances. The annual appropriation ordinance approved by Council in March 2009 reflected an anticipated \$4,178,815.00 in total resources, including the beginning year balance. During the course of the year, amended certificates were requested, with the December total resources being reduced to \$4,046,919. Actual receipts were \$4,094,264.58, making total resources available in 2009 \$5,016,912.68.

All fund receipts exceeded the final certificate, but several funds did not live up to the expectations. The Apartment Operation Fund received less than originally anticipated, since no units were sold and fourteen units were deconstructed, reducing rental income.

Capital Assets and Debt Administration

Capital assets and infrastructure are recorded in the office of the Municipal Manager. All capital assets also are recorded within insurance coverage files.

As of December 31, 2009, the Village's outstanding debt included \$185,000 principal for the Swimming Pool Renovation issue, voted March 19, 1996; \$1,070,000 principal for the November 1997 voted Curb Replacement issue; \$830,000 principal for the Voted Redevelopment issue, November 2004; a Councilmatic bond of \$2,095,000 issued in July 2008; and \$880,000 principal on the 2002 Councilmatic Bond, for a total of \$5,060,000.

More detail regarding the Village's debt can be found in the notes to the financial statements.

Current Issues

Municipal Residential Redevelopment Program

The Village of Greenhills began a residential redevelopment/improvement program in 2000. The objective of this effort has been to reduce the number of rental units in Greenhills and increase the number of owner-occupied units. As of December 31, 2009, a total of 135 units have been purchased by the Village of Greenhills. Of these, 61 units have been razed; and eight units have been sold. Total acquisitions have cost \$5,928,100.00, and sales realized \$590,600. In 2004, a developer (Potterhill Homes) purchased sixteen lots, and ten of the sixteen DeWitt Landing homes are in place. The deconstruction of the fourteen units on DeWitt Court now has another attractive development area adjacent to DeWitt Landing available. Of the remaining sixty-six units, eight are listed for sale. Approximately thirty-four units have tenants, with the balance at various stages of renovation.

This residential redevelopment project is a large undertaking on the part of the Village of Greenhills officials, administration, staff, and citizens. It has become a model for other communities which are facing similar housing circumstances: older housing stock, often-neglected rental housing, declining revenues, and resident flight from the inner city and the first ring of suburbs to the second- or third-ring "exurbs."

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our forecasts do not show any significant increase in the overall picture. The present national economic situation – high unemployment, high foreclosure rate, low interest rates – are being felt in the Village of Greenhills. We will remain vigilant of our finances and fiscal position for several years into the future.

Contacting the Village of Greenhills Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jane A. Berry, Municipal Manager (jberry@greenhillsohio.org), or Kathryn L. Brokaw, Finance Director, Village of Greenhills, 11000 Winton Road, Greenhills, Ohio 45218 (kbrokaw@greenhillsohio.org)