Village of Greenhills
Notes to the Financial Statements
For the Year Ended December 31, 2010
UNAUDITED

Note 1 – Reporting Entity

The Village of Greenhills, Hamilton County, Ohio, is a body politic and corporate established in 1938 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and the Charter of the Village of Greenhills. The Village is directed by a publicly-elected six-member Council and publicly-elected Mayor. The Village of Greenhills has an appointed Municipal Manager and an appointed Finance Director.

A. Primary Government. The Village of Greenhills consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, including police service and protection through the Greenhills Police Department, maintenance of Village roads, recreational properties, and park areas. The Village contracts with the Greenhills Volunteer Fire Department for fire protection and emergency life squad services. Many of the services received by Village of Greenhills residents are through Hamilton County, including Board of Health service, property tax collection service, sewer and water service, and Board of Election service.

B. Component Units. Component units are legally separate organizations for which the Village is financially accountable. The Village would be financially accountable for an organization if the Village appointed a voting majority of the organization's government board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

Note 2 – Summary of Significant Accounting Practices

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village would not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid double reporting of receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursement with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities into separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operation receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statement reports all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village all are governmental.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, the Apartment Operation Fund, and the Debt Retirement Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from use charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village does not have any enterprise funds.

Internal Service Funds – Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village does not have any internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any fiduciary funds.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this Note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if the Municipal Manager and Finance Director identify projected increases or decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budget amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2010, the Village invested in STAR Ohio and nominally in a PNC Bank, NA, sweep account. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price for which the investment could be sold December 31, 2010.

Interest earnings are allocated to Village funds according to State statutes, Village ordinance, grant requirements, or debt related restrictions. Interest rates are the lowest in recent history. Interest receipts credited to the General Fund during 2010 were $268.41. Interest receipts credited to all other funds were $552.61.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's practice is first to apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally separated for a specific future use. Unreserved fund balances indicate that portion of fund balances which are available for appropriation in future periods. Fund balance reserves have been established for encumbrances, when necessary.

O. Interfund Transactions

Transfers between governmental funds on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financial sources/uses in governmental funds and after nonoperating receipts/ disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

For 2004 and prior years, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005, the Village implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in Note 2, the Village has elected to report inventory, prepaid items, interfund receivables (payables), capital assets, and long-term debt as part of the modified cash basis of accounting.

Note 4 – Accountability and Compliance

A. Accountability

No deficit fund balances exist.

B. Compliance

The Village is aware of no violations of finance-related legal or contractual provisions. The Village includes all funds required by law or regulation to help assure restrictions on disbursements. These funds include the Drug Education and Enforcement Fund and the Police Bequest Fund. All funds supported by property taxes exist as required by law or regulation.

The Village made no excess disbursements over appropriations in the general or major special revenue funds included in the budgetary statements, nor did the Village make any excess disbursements over appropriations in any other fund.

In the event of necessity, the general fund may advance to another fund for the short term. The Village will take advantage of such advances when necessary. In 2010, the General Fund advanced $40,000 to the Apartment Operation Fund in January to meet property tax payments, with repayment of $20,000 in October and $20,000 in December.

The Village did not appropriate more than was certified available for appropriation. The Village did not have a deficit in any fund. The Village is not aware of any violations of debt covenants or contracts.

The Village did not have any violations of grant requirements such as disallowed costs or any failure to meet eligibility requirements or matching requirements that may require repayment.

The Village did not violate any laws relating to investments and deposits.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no significant year-end encumbrances.

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

- United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other purchase obligation or security 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 Marking Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
- Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 per cent and be marked to market daily, and the term of the agreement must not exceed thirty days.
- Bonds and other obligations of the State of Ohio or Ohio local governments.
- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- The State Treasurer's investment pool (STAR Ohio).
- Investments in commercial and bankers acceptances (with appropriate limitations, and based on the fact that ORC training requirements have been met).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling also are prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments only may be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Village or qualified trustee, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the carrying amount of the Village's deposits was $678,522.73, and the bank balance was $106,408.48. Of the bank balance, 100% was covered by federal depository insurance (up to $250,000). None was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements potentially could subject the Village to a successful claim by the FDIC.

The Village's investments are required to be categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Village's name. The investments in U. S. Treasury Bills are classified in Category 3. Investments in STAR Ohio and the money market mutual fund are not classified since they are not evidenced by securities that exist in physical or book-entry form.

All the Village's investments are in Category 1. As of December 31, 2010, the Village had $572,114.25 invested in STAR Ohio. The cash balance of $106,408.48 is in three accounts at PNC Bank, N.A.: the general bank account, the FSA account, and the sweep account. The interest rate at STAR Ohio as of December 31, 2010, was 0.14%, and at PNC Bank was 0.15%.

Note 7 – Income Taxes

The Village levies a 1-1/2% income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on the income of residents earned outside the Village. In the latter case, the Village allows a credit of 1/2% on the income earned in and taxed by another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers also are required to pay their estimated tax at least quarterly and file a final return annually.

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2010 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, the first payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2010, was $27.83 per $1,000 of assessed value. (Two levies passed in November 2010 will be reflected in the 2011 full tax rate of $32.73 per $1,000 of assessed value.) The assessed values of real property, public utility property, and tangible personal property upon which the 2010 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	$54,657,000
Commercial	$ 6,191,000
Public Utility	$ 1,112,000
Tangible Personal Property	$ 31,700*
Total	$61,991,700

The Tangible Personal Property tax is being phased out. *Appears in Bond Fund only.

Note 9 – Risk Management

The Village insurance is through Scottsdale Insurance Company for property insurance, police and public officials liability insurance, vehicle and equipment insurance.

Casualty excess-of-loss contracts as of December 31, 2010, generally protect against individual losses exceeding $1,000. Property coverage contracts protect against losses, limited to an annual aggregate loss of $17,000,000. The new carrier will be Wells Fargo, effective January 1, 2011, at a premium savings to the Village of Greenhills.

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System.

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member- directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula requirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2010, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0% of their annual covered salaries. The Village's contribution rate for pension benefits in 2010 was 14.0% (of which 10.0% is to fund retirement benefits and 4% is to fund health benefits for retirees). The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to OPERS for the year ended December 31, 2010, and for all years, have been made. The Village's actual contributions for 2010 that were used to fund Postemployement benefits through for non-police employees were $82,350.00.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus OH 43215-5164.

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5% for full time police officers (of which 11.75% is used to fund retirement benefits and 7.75% is used to fund retiree health benefits). Contributions are authorized by State statute. The Village's required contributions to the Fund for the year ended December 31, 2010, and for all years, have been made.

The Village's actual contributions for 2010 that were used to fund Postemployement benefits through for police employees were $74,296.10.

Elected officials who never have been members of Ohio Public Employees Retirement System are eligible to opt out of OPERS, but then must participate in FICA (Social Security). For 2010, the Mayor and five councilmembers have exercised this option.

Note 11 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB *Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2010 local government employer contribution rate was 14.00% of covered payroll; 7.00% of covered payroll was the portion that was used to fund health care for the period January 1 through March 31,2009; 5.5% of the covered payroll was the portion that was used to fund health care for the remainder of 2009 (based on the most recent information available at the time of this report).

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2009, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between .50% and 4.00% annually for the next seven years and 4.00% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB *Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5% of covered payroll, of which 6.75% of covered payroll was applied to the Postemployment health care program. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

Note 12 – Debt

The Village's long-term debt activity for the year ended December 31, 2010, is as follows:

In 2010, $20,000 was redeemed on the originally $385,000 Swimming Pool Renovation bond voted March 19, 1996, at 5.7734%. The Principal amount now remaining is $165,000. $10,837.50 was the 2010 interest on this issue.

In 2010, $110,000 was redeemed on the originally $2,080,000 Curb Replacement bond, voted November 4, 1997, at 5.21%. The Principal amount now remaining is $960,000. $57,255.00 was the 2010 interest on this issue.

In 2010, $55,000 was redeemed on the originally GO $1,200,000 Councilmatic Bond sold December 13, 2002, at 4.7463% true interest rate. The Principal amount now remaining is $825,000. $42,293.77 was the 2010 interest on this issue.

In 2010, $40,000 was redeemed on the originally $995,000 Municipal Redevelopment Bond voted November 2, 2004 (sold March 1, 2006), at 4.5168%. The Principal amount now remaining is $790,000. $37,275.00 was the 2010 interest on this issue.

In 2010, $95,000 was redeemed on the originally $2,195,000 GO Councilmatic Bond (sold July 16, 2009) at 3.0%-4.65% interest rate. The Principal amount now remaining is $2,000,000. $87,042.50 was the 2010 interest on this issue.

Total indebtedness as of January 1, 2010, was $5,060,000; $320,000 was redeemed; nothing was issued; total indebtedness as of December 31, 2010, was $4,740,000. A total of $234,703.77 in interest was paid.

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The Ohio Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation. The only ballot issues in 2010 were operating levies not associated with debt. The debt limitations as of December 31, 2009, were an overall debt margin of $1,642,822 and an unvoted debt margin of $536,002.

The Village of Greenhills has no conduit debt and no defeased debt.

Note 13 – Leases

The Village leases vehicles and other equipment under noncancelable leases. The Village completed the lease-purchase arrangement for one police cruiser ($8,357.57). The Village made the second (of four) payment ($24,141.98) in 2010 on two service trucks; $34,679,70 for the Fire Department Ladder Truck. The Village financed three pieces of equipment together through PNC Bank, for thirty-six months: two new ambulance remounts at $29,080 each; and a Case 580SM111 Backhoe at $90,945, paying a total of $31,059.28 during 2010 against the total lease/purchase commitment is $149,105. Future lease payments are as follows:

	Two F-350 4x4 Dump Trucks
2011	$24,141.98
2012	$24,141.98

	Fire Department Ladder Truck
2011	$34,679.70
2012	$34,679.70
2013	$34,679.70
2014	$34,679.70
2015	$17,339.85

Ambulances/Backhoe	
2011	$53,244.48
2012	$53,244.48
2013	$22,185.20

Note 14 – Interfund Transfers

During 2010, the following transfers were made:

From the General Fund to the Shade Tree Maintenance Fund	$ 2,000.00
From the General Fund to the Accumulated Sick Leave Fund	$ 25,000.00
From the General Fund to the Apartment Operation Fund	$ 20,000.00
From the General Fund to the Golf Course	$ 18,250.00
From the General Fund to the Swimming Pool	$ 15,000.00
From the General Fund to the non-voted Debt Retirement Fund	$126,500.00

for the total of $206,750.00 in interfund transfers.

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 15 – Construction and Contractual Commitments

In 2010, no significant construction occurred. (Some maintenance items such as windows and doors were installed in the rental units; the exteriors of three apartment buildings plus one set of garages were painted.) A mowing contract for municipal properties was bid and awarded. All contract commitments followed applicable laws.

Note 16 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial. The only grant received in 2010 was from the Hamilton County Solid Waste District for metal recycling/ reduction. Funds were received and accounted for in 2010, and will be reported in the 2009/2010 audit.

Note 17 – Joint Ventures

The Village participates jointly with Hamilton County in bidding for street salt and in the Hamilton County Stormwater District.

Note 18 – Jointly Governed Organizations

The Village jointly governs the Greenhills Community Improvement Corporation. The Greenhills CIC is subject to separate audit. The purpose of the Greenhills CIC is community development. Its primary activity is the solicitation of private funding for and payment for the Greenhills Concerts on the Commons. In 2010, $6,150.00 was received and $7,354.65 was expended for the Concerts on the Commons. Other activities include the Holiday Light Up activities.

Note 19 – Subsequent Events

Municipal Residential Redevelopment

The Municipal Redevelopment Program is continuing. For 2011, no additional property acquisition is planned. The Village remains steadfast in its vision and continuing goal of increasing the number of owner-occupied properties in Greenhills. Housing and commercial redevelopment remain essential to the future sustainability of the Village of Greenhills.

Economic and Community Development

Looking ahead, 2011 will bring a focus on the implementation of the Village of Greenhills' *2009 Comprehensive Plan*. Of primary importance to the economic health of the Village will be the redevelopment of its Village Center and the Winton Road Corridor. Working closely with private property owners, the Village hopes to leverage a variety of funding resources to bring the redevelopment of this area to fruition over the next few years.