

***THE CITY OF LOVELAND, OHIO***

CLERMONT, HAMILTON AND WARREN COUNTIES

GENERAL PURPOSE  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2000

AUDITED

Presented by:  
William R. Taphorn,  
Director of Finance

Prepared by:  
Donald J. Schonhardt  
& Associates, Inc.





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Council Members  
City of Loveland  
120 West Loveland Avenue  
Loveland, Ohio 45140

We have reviewed the Independent Auditor's Report of the City of Loveland, Hamilton County, prepared by Foxx & Company, for the audit period January 1, 2000 through December 31, 2001. 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 Loveland is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

October 31, 2002

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## CITY OF LOVELAND, OHIO HAMILTON, CLERMONT AND WARREN COUNTIES

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Foxx & Company  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Council Members  
City of Loveland

We have audited the accompanying general-purpose financial statements of the City of Loveland, Ohio, as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose 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 reasonableness assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cincinnati, Ohio  
June 28, 2002

**THE CITY OF LOVELAND, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2000**

	<i>Governmental</i>			<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)	
	<i>Fund Types</i>			<i>Fund Type</i>	<i>Fund Type</i>	<i>Groups</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	
<b>Assets and Other Debits:</b>									
<b>Assets:</b>									
Cash and Cash Equivalents	\$0	\$127,214	\$17,106	\$8,558	\$72,675	\$0	\$0	\$0	\$225,553
Investments	0	1,780,450	0	296,715	2,519,640	0	0	0	4,596,805
Receivables (net of allowance for doubtful accounts):									
Taxes	1,148,716	984,122	0	0	0	0	0	0	2,132,838
Accounts	55,974	5,550	0	0	520,858	0	0	0	582,382
Interest	0	0	0	117,998	0	0	0	0	117,998
Special Assessments	0	0	9,386	72,650	0	0	0	0	82,036
Intergovernmental Receivables	2,861	45,738	0	0	0	0	0	0	48,599
Inventory of Supplies at Cost	1,359	25,460	0	0	30,015	0	0	0	56,834
Prepaid Items	13,508	12,431	0	1,199	9,067	0	0	0	36,205
<b>Restricted Assets:</b>									
Cash and Cash Equivalents	0	0	0	0	201,665	0	0	0	201,665
Cash with Fiscal Agent	0	0	2,677	0	0	5,717	0	0	8,394
Fixed Assets (net of accumulated depreciation)	0	0	0	0	10,160,126	0	13,956,277	0	24,116,403
Construction in Progress	0	0	0	0	0	0	157,138	0	157,138
<b>Other Debits:</b>									
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	17,106	17,106
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	4,900,173	4,900,173
<b>Total Assets and Other Debits</b>	<b>\$1,222,418</b>	<b>\$2,980,965</b>	<b>\$29,169</b>	<b>\$497,120</b>	<b>\$13,514,046</b>	<b>\$5,717</b>	<b>\$14,113,415</b>	<b>\$4,917,279</b>	<b>\$37,280,129</b>

(Continued)



**THE CITY OF LOVELAND, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2000**

	<i>Governmental</i>			<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)	
	<i>Fund Types</i>			<i>Fund Type</i>	<i>Fund Type</i>	<i>Groups</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	
<b>Liabilities, Equity and Other Credits:</b>									
<b>Liabilities:</b>									
Accounts Payable	\$70,087	\$66,094	\$0	\$51,239	\$332,031	\$0	\$0	\$0	\$519,451
Accrued Wages and Benefits	96,281	13,113	0	5,913	17,160	0	0	0	132,467
Due to Others	0	0	0	0	0	5,717	0	0	5,717
Matured Bonds and Interest Payable	0	0	2,677	0	0	0	0	0	2,677
Accrued Interest Payable	0	0	0	35,010	10,250	0	0	0	45,260
Deferred Revenue	738,038	979,744	9,386	90,564	0	0	0	0	1,817,732
General Obligation Notes Payable	0	0	0	2,400,000	0	0	0	0	2,400,000
Compensated Absences Payable	0	0	0	0	166,153	0	0	475,259	641,412
Ohio Public Works Commission Loans Payable	0	0	0	0	0	0	0	2,003,218	2,003,218
General Obligation Bonds Payable	0	0	0	0	2,675,000	0	0	2,400,000	5,075,000
Landfill Closure and Postclosure Care Payable	0	0	0	0	21,228	0	0	0	21,228
Police Pension Accrued Liability	0	0	0	0	0	0	0	38,802	38,802
<b>Total Liabilities</b>	<b>904,406</b>	<b>1,058,951</b>	<b>12,063</b>	<b>2,582,726</b>	<b>3,221,822</b>	<b>5,717</b>	<b>0</b>	<b>4,917,279</b>	<b>12,702,964</b>
<b>Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	14,113,415	0	14,113,415
Contributed Capital	0	0	0	0	3,415,802	0	0	0	3,415,802
<b>Retained Earnings:</b>									
Unreserved	0	0	0	0	6,876,422	0	0	0	6,876,422
<b>Fund Balances:</b>									
Reserved for Encumbrances	0	63,663	0	324,074	0	0	0	0	387,737
Reserved for Supplies Inventory	1,359	25,460	0	0	0	0	0	0	26,819
Reserved for Prepaid Items	13,508	12,431	0	1,199	0	0	0	0	27,138
Reserved for Debt Service	0	0	17,106	0	0	0	0	0	17,106
<b>Unreserved:</b>									
Undesignated	303,145	1,820,460	0	(2,410,879)	0	0	0	0	(287,274)
<b>Total Equity and Other Credits</b>	<b>318,012</b>	<b>1,922,014</b>	<b>17,106</b>	<b>(2,085,606)</b>	<b>10,292,224</b>	<b>0</b>	<b>14,113,415</b>	<b>0</b>	<b>24,577,165</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$1,222,418</b>	<b>\$2,980,965</b>	<b>\$29,169</b>	<b>\$497,120</b>	<b>\$13,514,046</b>	<b>\$5,717</b>	<b>\$14,113,415</b>	<b>\$4,917,279</b>	<b>\$37,280,129</b>

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

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
<b>Revenues:</b>					
Taxes	\$552,658	\$3,378,345	\$0	\$4,330	\$3,935,333
Intergovernmental Revenues	961,697	621,086	0	65,405	1,648,188
Charges for Services	88,336	69,185	0	9,876	167,397
Licenses and Permits	80,680	36,615	0	36,660	153,955
Investment Earnings	0	19,297	0	315,061	334,358
Fines and Forfeitures	125,079	1,335	0	0	126,414
All Other Revenues	7,241	33,616	0	1,215	42,072
Total Revenues	<u>1,815,691</u>	<u>4,159,479</u>	<u>0</u>	<u>432,547</u>	<u>6,407,717</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Security of Persons and Property	1,756,838	1,237,625	0	0	2,994,463
Public Health and Welfare Services	0	79	0	0	79
Community Environment	164,536	0	0	54,894	219,430
Transportation	0	596,735	0	0	596,735
General Government	882,828	1,047,652	0	11,230	1,941,710
Capital Outlay	0	0	0	748,506	748,506
<b>Debt Service:</b>					
Principal Retirement	0	0	261,921	0	261,921
Interest and Fiscal Charges	0	0	175,619	162,283	337,902
Total Expenditures	<u>2,804,202</u>	<u>2,882,091</u>	<u>437,540</u>	<u>976,913</u>	<u>7,100,746</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(988,511)	1,277,388	(437,540)	(544,366)	(693,029)
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	988,052	25,000	437,540	595,588	2,046,180
Operating Transfers Out	(69,100)	(1,527,340)	0	(134,492)	(1,730,932)
Total Other Financing Sources (Uses)	<u>918,952</u>	<u>(1,502,340)</u>	<u>437,540</u>	<u>461,096</u>	<u>315,248</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(69,559)	(224,952)	0	(83,270)	(377,781)
Fund Balance (Deficit) Beginning of Year	386,912	2,137,856	17,106	(2,002,336)	539,538
Increase in Inventory Reserve	659	9,110	0	0	9,769
Fund Balance (Deficit) End of Year	<u>\$318,012</u>	<u>\$1,922,014</u>	<u>\$17,106</u>	<u>(\$2,085,606)</u>	<u>\$171,526</u>

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

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**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$672,000	\$674,126	\$2,126	\$3,381,000	\$3,377,312	(\$3,688)
Intergovernmental Revenues	916,000	931,346	15,346	634,500	625,128	(9,372)
Charges for Services	70,000	62,554	(7,446)	63,100	64,332	1,232
Licenses and Permits	70,000	80,680	10,680	30,000	36,615	6,615
Investment Earnings	0	0	0	0	0	0
Fines and Forfeitures	129,000	125,079	(3,921)	1,900	1,335	(565)
All Other Revenues	6,000	5,616	(384)	45,300	45,962	662
Total Revenues	1,863,000	1,879,401	16,401	4,155,800	4,150,684	(5,116)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	1,740,600	1,753,888	(13,288)	1,289,700	1,237,086	52,614
Public Health and Welfare Services	0	0	0	2,000	79	1,921
Community Environment	169,900	163,099	6,801	0	0	0
Transportation	0	0	0	754,600	592,408	162,192
General Government	900,800	881,366	19,434	2,281,669	1,093,236	1,188,433
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	2,811,300	2,798,353	12,947	4,327,969	2,922,809	1,405,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	(948,300)	(918,952)	29,348	(172,169)	1,227,875	1,400,044
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	1,017,400	988,052	(29,348)	25,000	25,000	0
Operating Transfers Out	(69,100)	(69,100)	0	(1,900,000)	(1,527,340)	372,660
Total Other Financing Sources (Uses)	948,300	918,952	(29,348)	(1,875,000)	(1,502,340)	372,660
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(2,047,169)	(274,465)	1,772,704
Fund Balance at Beginning of Year	0	0	0	2,079,324	2,079,324	0
Prior Year Encumbrances	0	0	0	7,500	7,500	0
Fund Balance (Deficit) at End of Year	\$0	\$0	\$0	\$39,655	\$1,812,359	\$1,772,704

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

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised		Variance:	Revised		Variance:	Revised		Variance:
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$0	\$0	\$0	\$3,600	\$4,330	\$730	\$4,056,600	\$4,055,768	(\$832)
0	0	0	65,404	65,405	1	1,615,904	1,621,879	5,975
0	0	0	13,000	9,876	(3,124)	146,100	136,762	(9,338)
0	0	0	30,000	36,660	6,660	130,000	153,955	23,955
0	0	0	353,000	354,050	1,050	353,000	354,050	1,050
0	0	0	0	0	0	130,900	126,414	(4,486)
0	0	0	1,200	1,215	15	52,500	52,793	293
0	0	0	466,204	471,536	5,332	6,485,004	6,501,621	16,617
0	0	0	0	0	0	3,030,300	2,990,974	39,326
0	0	0	0	0	0	2,000	79	1,921
0	0	0	54,000	54,894	(894)	223,900	217,993	5,907
0	0	0	0	0	0	754,600	592,408	162,192
0	0	0	10,400	9,484	916	3,192,869	1,984,086	1,208,783
17,106	0	17,106	0	0	0	17,106	0	17,106
0	0	0	1,381,407	1,025,668	355,739	1,381,407	1,025,668	355,739
261,921	261,921	0	2,550,000	2,550,000	0	2,811,921	2,811,921	0
189,507	175,619	13,888	161,500	158,723	2,777	351,007	334,342	16,665
468,534	437,540	30,994	4,157,307	3,798,769	358,538	11,765,110	9,957,471	1,807,639
(468,534)	(437,540)	30,994	(3,691,103)	(3,327,233)	363,870	(5,280,106)	(3,455,850)	1,824,256
0	0	0	2,400,000	2,400,000	0	2,400,000	2,400,000	0
451,428	437,540	(13,888)	938,900	595,588	(343,312)	2,432,728	2,046,180	(386,548)
0	0	0	(134,600)	(134,492)	108	(2,103,700)	(1,730,932)	372,768
451,428	437,540	(13,888)	3,204,300	2,861,096	(343,204)	2,729,028	2,715,248	(13,780)
(17,106)	0	17,106	(486,803)	(466,137)	20,666	(2,551,078)	(740,602)	1,810,476
17,106	17,106	0	423,061	423,061	0	2,519,491	2,519,491	0
0	0	0	19,002	19,002	0	26,502	26,502	0
\$0	\$17,106	\$17,106	(\$44,740)	(\$24,074)	\$20,666	(\$5,085)	\$1,805,391	\$1,810,476

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Charges for Services	\$2,980,427
Total Operating Revenues	<u>2,980,427</u>
<u>Operating Expenses:</u>	
Personal Services	526,152
Materials and Supplies	87,384
Contractual Services	1,934,236
Utilities	102,315
Depreciation	274,270
Other Operating Expenses	19,982
Total Operating Expenses	<u>2,944,339</u>
Operating Income	36,088
<u>Nonoperating Revenues (Expenses):</u>	
Investment Earnings	88,008
Interest and Fiscal Charges	(133,561)
Nonoperating Revenues	45,623
Nonoperating Expenses	(1,627)
Total Nonoperating Revenues (Expenses)	<u>(1,557)</u>
Income Before Operating Transfers	34,531
<u>Operating Transfers:</u>	
Operating Transfers Out	(315,248)
Total Operating Transfers	<u>(315,248)</u>
Net Loss	(280,717)
Restated Retained Earnings at Beginning of Year	7,157,139
Retained Earnings at End of Year	<u><u>\$6,876,422</u></u>

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

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	<i>Enterprise Funds</i>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$3,155,348
Cash Payments for Goods and Services	(1,881,722)
Cash Payments to Employees	(527,727)
Net Cash Provided by Operating Activities	745,899
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers Out to Other Funds	(315,248)
Net Cash Used for Noncapital Financing Activities	(315,248)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(19,785)
Landfill Postclosure Costs	(6,772)
Principal Paid on General Obligation Bonds	(190,000)
Interest Paid on All Debt	(134,573)
Net Cash Used for Capital and Related Financing Activities	(351,130)
<u>Cash Flows from Investing Activities:</u>	
Receipt of Interest	50,000
Purchase of Investments	(249,242)
Net Cash Used for Investing Activities	(199,242)
Net Decrease in Cash and Cash Equivalents	(119,721)
Cash and Cash Equivalents at Beginning of Year	394,061
Cash and Cash Equivalents at End of Year	\$274,340
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>    Provided by Operating Activities:</u>	
Operating Income	\$36,088
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	274,270
Miscellaneous Nonoperating Revenue	45,623
Miscellaneous Nonoperating Expense	(1,627)
Changes to Assets and Liabilities:	
Decrease in Accounts Receivable	129,298
Increase in Inventory	(423)
Increase in Prepaid Items	(5,401)
Increase in Accounts Payable	269,646
Decrease in Accrued Wages and Benefits	(1,753)
Increase in Compensated Absences	178
Total Adjustments	709,811
Net Cash Provided by Operating Activities	\$745,899

Schedule of Noncash Investing, Capital and Financing Activities:

The fair value of investments increased by \$30,761, \$1,272 and \$12,745 in the Water, Sanitation and Sewer Funds, respectively.

**THE CITY OF LOVELAND, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2000**

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

The City of Loveland, Ohio (the "City") is a home-rule municipal 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 on July 25, 1961.

**A. Reporting Entity**

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

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: police protection, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City provides refuse collection services (on a contractual basis) and owns and operates a water treatment and distribution system and a wastewater treatment and collection system (which is operated by the Metropolitan Sewer District), each of which is reported as an enterprise fund.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

**B. Basis of Presentation - Fund Accounting**

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

***Governmental Funds***

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



**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.

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

Debt Service Funds - These funds are used for the accumulation of resources for the payment of general and special assessment long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by the proprietary funds).

***Proprietary Funds***

The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary fund is included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

***Fiduciary Fund***

Agency Fund - This fund is used to account for assets held by a government unit as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

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

**C. 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 and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "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 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.

Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2000 but which are not intended to finance 2000 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

**D. Budgetary Process**

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

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

**D. Budgetary Process** (Continued)

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

1. Tax Budget

By July 15, the 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 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating 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 do 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 if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

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

**D. Budgetary Process (Continued)**

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

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

**D. Budgetary Process** (Continued)6. Budgetary Basis of Accounting (Continued)

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
GAAP Basis (as reported)	(\$69,559)	(\$224,952)	\$0	(\$83,270)
Increase (Decrease):				
Accrued Revenues at December 31, 2000 received during 2001	(469,513)	(87,308)	0	(105,357)
Accrued Revenues at December 31, 1999 received during 2000	533,223	78,513	0	144,346
Accrued Expenditures at December 31, 2000 paid during 2001	166,368	79,207	0	92,162
Accrued Expenditures at December 31, 1999 paid during 2000	(154,515)	(50,480)	0	(39,405)
1999 Prepays for 2000	7,504	6,649	0	660
2000 Prepays for 2001	(13,508)	(12,431)	0	(1,199)
Note Proceeds	0	0	0	2,400,000
Note Retirement	0	0	0	(2,550,000)
Outstanding Encumbrances	0	(63,663)	0	(324,074)
Budget Basis	\$0	(\$274,465)	\$0	(\$466,137)

**E. Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider its share of equity in STAR Ohio to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

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

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost.

The City has invested funds in the STAR Ohio during 2000. 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 the investment could be sold for on December 31, 2000. See Note 4, "Cash, Cash Equivalents and Investments".

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

1. Property, Plant and Equipment - General Governmental Purposes

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

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

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

**H. Fixed Assets and Depreciation (Continued)**

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

General fixed asset values were initially determined at December 31, 1988 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. The estimated cost for certain fixed assets was arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

**2. Property, Plant and Equipment - Proprietary Funds**

Property, plant and equipment (including water and sewer lines) acquired by the proprietary funds are stated at estimated historical cost. Estimated historical costs for water and sewer lines were derived by establishing a current cost for construction and indexing this cost back to the estimated date of original construction. Contributed fixed assets are recorded at fair market value at the date received.

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

Description	Estimated Lives (Years)
Buildings	15 - 60
Improvements Other Than Buildings (Utility Lines)	50
Machinery, Equipment, Furniture and Fixtures	3 - 10

**I. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Bond Fund Water Fund Sewer Fund
Ohio Public Works Commission Loans	General Bond Fund
Compensated Absences	General Fund Water Fund Sewer Fund Sanitation Fund
Police and Fire Pension Accrued Liability	General Fund

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

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

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

For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water, sewer, and refuse collection enterprise funds when earned, and the related liability is reported within the fund.

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**L. Interfund Transactions**

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

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2000.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.



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

**M. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, supplies inventory, debt service, and encumbered amounts that have not been accrued at year end.

**N. Total Columns on Combined Financial Statements - Overview**

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**O. Restricted Assets**

Certain assets are classified as restricted cash and cash equivalents and cash with fiscal agents on the balance sheet because these funds are not available for general operating purposes.

**NOTE 2 – RESTATEMENT OF FUND BALANCE/RETAINED EARNINGS**

An adjustment was made to the retained earnings balance of the enterprise funds at December 31, 1999 to reflect an accounting error in the calculation of fixed assets during the prior year. The restatement resulted in the change to retained earnings listed below.

Description	Enterprise Funds
Retained Earnings at December 31, 1999 (As Reported)	\$7,014,655
Restatement of Fixed Assets	142,484
Retained Earnings at December 31, 1999 (As Restated)	<u>\$7,157,139</u>

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficits**

The fund deficit at December 31, 2000 of \$2,381,874 in the Special Projects Fund (capital projects fund) results from the recording of notes payable as a fund liability. The deficit does not exist under the cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2000, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

Fund	Excess
General Fund:	
Security of Persons and Property	\$13,288
Capital Projects Fund:	
Special Projects Fund:	
Community Environment	894

The excess expenditures were funded from available fund balances.

**NOTE 4 - 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 "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 no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but 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;

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

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

The GASB has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

## NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

*Investments:*

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

**A. Deposits**

At year end the carrying amount of the City's deposits was \$1,048,083 and the bank balance was \$1,501,545. Federal depository insurance covered \$1,200,000 of the deposits and bank balance. All remaining deposits were classed as Category 3.

**B. Investments**

The City's investments at December 31, 2000 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$3,096,990	\$0	\$3,096,990
United States Treasury Notes	299,815	0	299,815
Repurchase Agreements	0	231,587	231,587
Total Categorized	<u>3,396,805</u>	<u>231,587</u>	<u>3,628,392</u>
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	347,548
Total Investments	<u>\$3,396,805</u>	<u>\$231,587</u>	<u>\$3,975,940</u>

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

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$427,218	\$4,596,805
Certificates of Deposit (with maturities of more than 3 months)	1,200,000	(1,200,000)
Investments:		
Repurchase Agreements	(231,587)	231,587
STAR Ohio	<u>(347,548)</u>	<u>347,548</u>
Per GASB Statement No. 3	<u>\$1,048,083</u>	<u>\$3,975,940</u>

\* Does not include Cash with Fiscal Agent of \$8,394.

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**D. Cash with Fiscal Agent**

Cash with Fiscal Agent includes funds on deposit with the Mayor's Court and a bond and coupon account, all of which are classified as Category 3.

**NOTE 5 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 1996 for Clermont County, 2000 for Warren County, and 1999 for Hamilton County. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

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

The County Treasurers collect property taxes on behalf of all taxing districts in the counties including the City of Loveland. The County Auditors periodically remit to the City its portion of the taxes collected.

**NOTE 5 - TAXES (Continued)**

**A. Property Taxes (Continued)**

The assessed values upon which the 2000 property tax receipts were based were as follows:

	County		
	Hamilton	Clermont	Warren
Real Property:			
Residential/Agricultural	\$165,666,220	\$23,977,980	\$5,915,780
Personal Property:			
Tangible Personal Property	16,054,030	1,224,734	79,490
Public Utility Personal Property	6,908,430	2,101,910	197,890
Total Assessed Value	<u>\$188,628,680</u>	<u>\$27,304,624</u>	<u>\$6,193,160</u>
Tax Rate/Assessed Value	\$10.00/\$1,000	\$10.00/\$1,000	\$7.43/\$1,000

**B. Income Tax**

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2000 consisted of taxes, interest, accounts receivable, special assessments and intergovernmental receivables arising from shared revenues.

**NOTE 7 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$988,052	\$69,100
Special Revenue Funds:		
Fire Protection Fund	0	9,100
Income Tax Fund	25,000	1,458,240
Paramedic Fund	<u>0</u>	<u>60,000</u>
Total Special Revenue Funds	25,000	1,527,340
Debt Service Fund:		
General Bond Fund	437,540	0
Capital Projects Funds:		
Recreation Capital Improvement Fund	535,702	134,492
Special Projects Fund	<u>59,886</u>	<u>0</u>
Total Capital Projects Funds	595,588	134,492
Enterprise Funds:		
Water Fund	0	247,148
Sewer Fund	0	15,200
Sanitation Fund	<u>0</u>	<u>52,900</u>
Total Enterprise Funds	<u>0</u>	<u>315,248</u>
Totals	<u>\$2,046,180</u>	<u>\$2,046,180</u>

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 1999	Additions	Deletions	December 31, 2000
Land	\$5,629,963	\$0	(\$84,520)	\$5,545,443
Buildings and Improvements	3,769,569	265,533	0	4,035,102
Improvements other than Buildings	1,220,397	0	0	1,220,397
Machinery and Equipment	2,888,860	357,167	(90,692)	3,155,335
Construction In Progress	72,169	84,969	0	157,138
Totals	\$13,580,958	\$707,669	(\$175,212)	\$14,113,415

**B. Proprietary Fixed Assets**

Summary by category at December 31, 2000:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$254,907	\$0	\$254,907
Buildings and Improvements	1,446,273	(799,599)	646,674
Utility Structures in Service	12,266,009	(3,080,451)	9,185,558
Machinery and Equipment	188,488	(115,501)	72,987
Property, Plant and Equipment	\$14,155,677	(\$3,995,551)	\$10,160,126



**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

**A. Public Employees Retirement System (the "PERS of Ohio")**

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

All employees of the City, except full-time uniformed police officers, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension and 4.3% to fund health care. The 1999 and 1998 employer contribution rates were 13.55%. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999 and 1998 were \$144,116, \$169,235 and \$156,902, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3% of covered payroll which amounted to \$56,219.

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

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio’s latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 is \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$165,270, \$153,000 and \$144,630, respectively, which was equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

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

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

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$61,447 representing 7.25% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

**NOTE 10 – COMPENSATED ABSENCES**

All full-time City employees earn sick leave at the rate of 10 hours per calendar month of active service, up to a limit of 1,424 hours. Upon retirement from the City any employee, with 15 years of active service, receives one hour of monetary compensation for every four hours of unused sick leave, making the maximum payout 356 hours. The monetary compensation is the hourly rate of compensation of the employee at the time of retirement.

All full-time City employees earn vacation at varying rates based upon length of service. An employee may carry forward up to one year of vacation credit, plus six days, to the next year. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance, which is not to exceed the carryover for one year.

The City records a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount increased \$68,030 from a beginning year balance of \$407,229 to a year end balance of \$475,259.

At December 31, 2000 the total accumulated unpaid sick leave time recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	24,760	\$404,512
Vacation	4,396	70,747
Total	<u>29,156</u>	<u>\$475,259</u>

Compensated absences attributable to the Enterprise Funds of \$166,153 have been recorded within the Enterprise Funds and are not included in the above figures.

**NOTE 11 - NOTES PAYABLE**

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

The City intends to retire its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

	Balance January 1, 2000	Issued (Retired)	Balance December 31, 2000
Capital Projects Funds Notes Payable:			
4.00% Real Estate Bond Anticipation Note	\$2,550,000	(\$2,550,000)	\$0
4.63% Real Estate Bond Anticipation Note	0	2,400,000	2,400,000
Total Notes Payable	<u>\$2,550,000</u>	<u>(\$150,000)</u>	<u>\$2,400,000</u>

**NOTE 12 - LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2000 were as follows:

				Balance		Balance
				December 31,	Issued	December 31,
				1999	(Retired)	2000
<b>Enterprise Funds:</b>						
General Obligation Bonds:						
1974	Sewer System Improvement	2000	\$10,000	(\$10,000)		\$0
1990	Water System Improvement	2003	430,000	(95,000)		335,000
1998	Water System Improvement	2018	2,425,000	(85,000)		2,340,000
Total General Obligation Bonds			2,865,000	(190,000)		2,675,000
<b>Other Long-Term Obligations:</b>						
Landfill Closure and Postclosure Care			28,000	(6,772)		21,228
Total Enterprise Long-Term Debt						
Other Long-Term Obligations			\$2,893,000	(\$196,772)		\$2,696,228
<b>General Long-Term Debt:</b>						
General Obligation Bonds:						
1987	Recreation - Senior Center	2003	\$195,000	(\$50,000)		\$145,000
1997	Various Purpose Bonds	2017	2,340,000	(85,000)		2,255,000
Total General Obligation Bonds			2,535,000	(135,000)		2,400,000
Ohio Public Works Commission Loans:						
1993	Hanna Avenue Waterline	2013	149,437	(11,495)		137,942
1993	State Route 48 Waterline	2008	136,330	(14,307)		122,023
1994	Park Avenue Waterline	2009	92,015	(9,049)		82,966
1994	East Loveland Avenue	2014	258,496	(13,875)		244,621
1994	West Booster	2015	205,140	(11,482)		193,658
1995	Lever Water Tower	2016	543,428	(24,923)		518,505
1996	Maderia Road Waterline	2016	478,528	(28,148)		450,380
1999	State Route 48 North	2020	266,765	(13,642)		253,123
Total Ohio Public Works Commission Loans			2,130,139	(126,921)		2,003,218
Total General Long-Term Debt			4,665,139	(261,921)		4,403,218
<b>Other Long-Term Obligations:</b>						
Compensated Absences			407,229	68,030		475,259
Police Pension Accrued Liability			39,293	(491)		38,802
Total Other Long-Term Obligations			446,522	67,539		514,061
Total General Long-Term Debt and Other Long-Term Obligations			\$5,111,661	(\$194,382)		\$4,917,279

**A. Police and Firemen's Pension Fund**

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 2000 was \$74,028 in principal and interest payments through the year 2035. Only the principal amount due of \$38,802 is included in the General Long-Term Obligations Account Group.

**NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

**B. Principal and Interest Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2000, follows:

Years	General Obligation Bonds		OPWC Loans		Police Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$335,000	\$251,330	\$129,154	\$34,363	\$511	\$1,644
2002	350,000	231,881	131,452	32,065	533	1,622
2003	355,000	211,742	133,818	29,702	556	1,599
2004	200,000	193,218	136,255	27,263	580	1,575
2005	210,000	184,768	138,769	24,751	605	1,550
2006-2010	1,205,000	774,858	663,102	85,274	3,439	7,337
2011-2015	1,515,000	460,312	554,388	30,702	4,242	6,532
2016-2020	905,000	80,826	116,280	933	5,236	5,539
2021-2035	0	0	0	0	23,100	7,828
Totals	<u>\$5,075,000</u>	<u>\$2,388,935</u>	<u>\$2,003,218</u>	<u>\$265,053</u>	<u>\$38,802</u>	<u>\$35,226</u>

**NOTE 13 - CONTRIBUTED CAPITAL**

During 2000, there were no changes in contributed capital reported by the City:

	Water	Sewer	Total
Balance at December 31, 2000	\$3,348,555	\$67,247	\$3,415,802

**NOTE 14 - SOLID WASTE LANDFILL POSTCLOSURE CARE COSTS**

The City owns a former landfill site which predates most modern regulatory and recordkeeping requirements. The exact date for commencement of waste placement activities is unknown, but waste placement activities ceased in the 1980's. The Ohio Environmental Protection Agency acting in accordance with applicable state and federal laws required the City to complete final closure of the site commencing in 1994. The approximate total cost of closure was \$351,779. State and federal laws require that the City monitor and maintain the site for at least five years after closure. The City estimates that the total postclosure liability associated with monitoring and maintaining the landfill site for the next several years is \$21,228. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables. Postclosure care costs are to be paid from the Sanitation and Environment Fund.

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Included in the services provided by the City financed primarily by user charges are water treatment and distribution, wastewater collection and treatment and refuse collection. The key financial information for these enterprise activities is as follows:

	Water	Sanitation	Sewer	Total
Operating Revenues	\$1,152,622	\$683,323	\$1,144,482	\$2,980,427
Depreciation	214,260	687	59,323	274,270
Operating Income (Loss)	395,268	(5,271)	(353,909)	36,088
Operating Transfers Out	(247,148)	(52,900)	(15,200)	(315,248)
Net Income (Loss)	112,645	(42,338)	(351,024)	(280,717)
Property, Plant and Equipment:				
Additions	9,885	9,900	0	19,785
Assets	10,736,986	227,025	2,550,035	13,514,046
Net Working Capital	1,960,425	152,957	679,432	2,792,814
Bonds Payable	2,675,000	0	0	2,675,000
Landfill Closure Liability	0	21,228	0	21,228
Total Equity	7,943,901	116,476	2,231,847	10,292,224

**NOTE 16 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**NOTE 17 - INSURANCE AND RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1997, the City joined the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**THE CITY OF LOVELAND, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	Balance December 31, 1999	Additions	Deductions	Balance December 31, 2000
<u>Mayor's Court</u>				
Restricted Assets:				
Cash with Fiscal Agent	\$5,384	\$149,470	(\$149,137)	\$5,717
Total Assets	<u>\$5,384</u>	<u>\$149,470</u>	<u>(\$149,137)</u>	<u>\$5,717</u>
Liabilities:				
Due to Others	\$5,384	\$149,470	(\$149,137)	\$5,717
Total Liabilities	<u>\$5,384</u>	<u>\$149,470</u>	<u>(\$149,137)</u>	<u>\$5,717</u>



***THE CITY OF LOVELAND, OHIO***

CLERMONT, HAMILTON AND WARREN COUNTIES

GENERAL PURPOSE  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2001

AUDITED

Presented by:  
William R. Taphorn,  
Director of Finance

Prepared by:  
Donald J. Schonhardt  
& Associates, Inc.

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## CITY OF LOVELAND, OHIO HAMILTON, CLERMONT AND WARREN COUNTIES

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### II.

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Foxx & Company  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Council Members  
City of Loveland

We have audited the accompanying general-purpose financial statements of the City of Loveland, Ohio, as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cincinnati, Ohio  
June 28, 2002

**THE CITY OF LOVELAND, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

	<i>Governmental</i>			<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)	
	<i>Fund Types</i>			<i>Fund Type</i>	<i>Fund Type</i>	<i>Groups</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	
<u>Assets and Other Debits:</u>									
Assets:									
Cash and Cash Equivalents	\$0	\$402,505	\$17,106	\$72,972	\$630,168	\$0	\$0	\$0	\$1,122,751
Investments	0	1,035,807	0	227,028	2,022,265	0	0	0	3,285,100
Receivables (net of allowance for doubtful accounts):									
Taxes	1,070,046	1,430,254	0	0	0	0	0	0	2,500,300
Accounts	40,214	1,325	0	0	529,343	0	0	0	570,882
Interest	0	0	0	72,715	0	0	0	0	72,715
Special Assessments	0	0	0	72,650	0	0	0	0	72,650
Intergovernmental Receivables	252,551	308,795	0	0	0	0	0	0	561,346
Inventory of Supplies at Cost	1,236	37,548	0	0	26,463	0	0	0	65,247
Prepaid Items	15,687	16,725	0	1,500	9,750	0	0	0	43,662
Restricted Assets:									
Cash and Cash Equivalents	0	37,263	0	0	196,397	0	0	0	233,660
Cash with Fiscal Agent	0	0	2,677	0	0	2,431	0	0	5,108
Fixed Assets (net of accumulated depreciation)	0	0	0	0	9,999,886	0	14,881,979	0	24,881,865
Construction in Progress	0	0	0	0	0	0	168,467	0	168,467
Other Debits:									
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	17,106	17,106
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	4,899,901	4,899,901
<b>Total Assets and Other Debits</b>	<b>\$1,379,734</b>	<b>\$3,270,222</b>	<b>\$19,783</b>	<b>\$446,865</b>	<b>\$13,414,272</b>	<b>\$2,431</b>	<b>\$15,050,446</b>	<b>\$4,917,007</b>	<b>\$38,500,760</b>

(Continued)

**THE CITY OF LOVELAND, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

	<i>Governmental</i>			<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>			
	<i>Fund Types</i>			<i>Fund Type</i>	<i>Fund Type</i>	<i>Groups</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
<b>Liabilities, Equity and Other Credits:</b>									
<b>Liabilities:</b>									
Accounts Payable	\$54,377	\$48,340	\$0	\$43,922	\$442,449	\$0	\$0	\$0	\$589,088
Accrued Wages and Benefits	109,076	18,300	0	8,214	25,585	0	0	0	161,175
Due to Others	0	0	0	0	0	2,431	0	0	2,431
Matured Bonds and Interest Payable	0	0	2,677	0	0	0	0	0	2,677
Accrued Interest Payable	0	0	0	19,928	9,380	0	0	0	29,308
Deferred Revenue	882,222	1,659,579	0	82,777	0	0	0	0	2,624,578
General Obligation Notes Payable	0	0	0	2,300,000	0	0	0	0	2,300,000
Compensated Absences Payable	0	0	0	0	140,416	0	0	548,891	689,307
Capital Lease Payable	0	0	0	0	0	0	0	195,761	195,761
Ohio Public Works Commission Loans Payable	0	0	0	0	0	0	0	1,874,064	1,874,064
General Obligation Bonds Payable	0	0	0	0	2,480,000	0	0	2,260,000	4,740,000
Landfill Closure and Postclosure Care Payable	0	0	0	0	15,647	0	0	0	15,647
Police Pension Accrued Liability	0	0	0	0	0	0	0	38,291	38,291
<b>Total Liabilities</b>	<b>1,045,675</b>	<b>1,726,219</b>	<b>2,677</b>	<b>2,454,841</b>	<b>3,113,477</b>	<b>2,431</b>	<b>0</b>	<b>4,917,007</b>	<b>13,262,327</b>
<b>Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	15,050,446	0	15,050,446
Contributed Capital	0	0	0	0	3,415,802	0	0	0	3,415,802
Retained Earnings:									
Unreserved	0	0	0	0	6,884,993	0	0	0	6,884,993
Fund Balances:									
Reserved for Encumbrances	0	117,790	0	39,148	0	0	0	0	156,938
Reserved for Supplies Inventory	1,236	37,548	0	0	0	0	0	0	38,784
Reserved for Prepaid Items	15,687	16,725	0	1,500	0	0	0	0	33,912
Reserved for Debt Service	0	0	17,106	0	0	0	0	0	17,106
Unreserved:									
Undesignated	317,136	1,371,940	0	(2,048,624)	0	0	0	0	(359,548)
<b>Total Equity and Other Credits</b>	<b>334,059</b>	<b>1,544,003</b>	<b>17,106</b>	<b>(2,007,976)</b>	<b>10,300,795</b>	<b>0</b>	<b>15,050,446</b>	<b>0</b>	<b>25,238,433</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$1,379,734</b>	<b>\$3,270,222</b>	<b>\$19,783</b>	<b>\$446,865</b>	<b>\$13,414,272</b>	<b>\$2,431</b>	<b>\$15,050,446</b>	<b>\$4,917,007</b>	<b>\$38,500,760</b>

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

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	
<b>Revenues:</b>					
Taxes	\$697,145	\$3,341,000	\$0	\$4,057	\$4,042,202
Intergovernmental Revenues	794,598	647,319	0	454,956	1,896,873
Charges for Services	62,585	55,026	0	0	117,611
Licenses and Permits	44,148	15,000	0	9,727	68,875
Investment Earnings	0	644	0	348,120	348,764
Fines and Forfeitures	127,736	1,480	0	0	129,216
All Other Revenues	15,739	69,650	0	1,575	86,964
Total Revenues	1,741,951	4,130,119	0	818,435	6,690,505
<b>Expenditures:</b>					
<b>Current:</b>					
Security of Persons and Property	1,850,907	1,122,069	0	0	2,972,976
Public Health and Welfare Services	0	1,087	0	0	1,087
Community Environment	166,839	11,939	0	55,076	233,854
Transportation	0	567,410	0	0	567,410
General Government	1,168,025	813,238	0	8,283	1,989,546
Other Expenditures	0	0	0	6,512	6,512
Capital Outlay	0	0	0	1,327,639	1,327,639
<b>Debt Service:</b>					
Principal Retirement	0	0	269,154	0	269,154
Interest and Fiscal Charges	0	0	163,980	150,293	314,273
Total Expenditures	3,185,771	2,515,743	433,134	1,547,803	7,682,451
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,443,820)	1,614,376	(433,134)	(729,368)	(991,946)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	0	0	0	35,000	35,000
Operating Transfers In	1,214,664	97,328	433,134	901,977	2,647,103
Operating Transfers Out	(69,572)	(2,144,341)	0	(129,979)	(2,343,892)
Other Financing Sources - Capital Lease	245,000	0	0	0	245,000
Total Other Financing Sources (Uses)	1,390,092	(2,047,013)	433,134	806,998	583,211
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(53,728)	(432,637)	0	77,630	(408,735)
Restated Fund Balance (Deficit) Beginning of Year	387,910	1,964,552	17,106	(2,085,606)	283,962
Increase (Decrease) in Inventory Reserve	(123)	12,088	0	0	11,965
Fund Balance (Deficit) End of Year	\$334,059	\$1,544,003	\$17,106	(\$2,007,976)	(\$112,808)

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



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**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised		Variance:	Revised		Variance:
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$683,000	\$681,094	(\$1,906)	\$3,383,000	\$3,367,302	(\$15,698)
Intergovernmental Revenues	858,000	853,711	(4,289)	718,500	663,189	(55,311)
Charges for Services	101,000	60,424	(40,576)	60,000	60,989	989
Licenses and Permits	45,000	44,148	(852)	28,000	15,000	(13,000)
Investment Earnings	0	0	0	0	0	0
Fines and Forfeitures	130,000	127,736	(2,264)	1,300	155	(1,145)
All Other Revenues	34,600	33,660	(940)	15,300	23,333	8,033
Total Revenues	<u>1,851,600</u>	<u>1,800,773</u>	<u>(50,827)</u>	<u>4,206,100</u>	<u>4,129,968</u>	<u>(76,132)</u>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	1,792,400	1,840,436	(48,036)	1,121,828	1,129,043	(7,215)
Public Health and Welfare Services	0	0	0	1,800	1,087	713
Community Environment	159,200	165,950	(6,750)	0	0	0
Transportation	0	0	0	739,886	604,677	135,209
General Government	998,800	939,479	59,321	1,855,990	911,205	944,785
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>2,950,400</u>	<u>2,945,865</u>	<u>4,535</u>	<u>3,719,504</u>	<u>2,646,012</u>	<u>1,073,492</u>
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(1,098,800)	(1,145,092)	(46,292)	486,596	1,483,956	997,360
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	1,169,200	1,214,664	45,464	97,328	97,328	0
Operating Transfers Out	(69,600)	(69,572)	28	(2,124,982)	(2,144,341)	(19,359)
Total Other Financing Sources (Uses)	<u>1,099,600</u>	<u>1,145,092</u>	<u>45,492</u>	<u>(2,027,654)</u>	<u>(2,047,013)</u>	<u>(19,359)</u>
Excess (Deficiency) of Revenues and						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	800	0	(800)	(1,541,058)	(563,057)	978,001
Fund Balance (Deficit) at Beginning of Year	0	0	0	1,812,359	1,812,359	0
Prior Year Encumbrances	0	0	0	63,663	63,663	0
Fund Balance (Deficit) at End of Year	<u>\$800</u>	<u>\$0</u>	<u>(\$800)</u>	<u>\$334,964</u>	<u>\$1,312,965</u>	<u>\$978,001</u>

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

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised		Variance:	Revised		Variance:	Revised		Variance:
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$0	\$0	\$0	\$4,300	\$4,057	(\$243)	\$4,070,300	\$4,052,453	(\$17,847)
0	0	0	824,540	454,956	(369,584)	2,401,040	1,971,856	(429,184)
0	0	0	0	0	0	161,000	121,413	(39,587)
0	0	0	21,000	15,000	(6,000)	94,000	74,148	(19,852)
0	0	0	370,000	385,616	15,616	370,000	385,616	15,616
0	0	0	0	0	0	131,300	127,891	(3,409)
0	0	0	0	1,575	1,575	49,900	58,568	8,668
0	0	0	1,219,840	861,204	(358,636)	7,277,540	6,791,945	(485,595)
0	0	0	0	0	0	2,914,228	2,969,479	(55,251)
0	0	0	0	0	0	1,800	1,087	713
0	0	0	40,000	41,848	(1,848)	199,200	207,798	(8,598)
0	0	0	0	0	0	739,886	604,677	135,209
0	0	0	9,600	11,031	(1,431)	2,864,390	1,861,715	1,002,675
17,106	0	17,106	0	6,512	(6,512)	17,106	6,512	10,594
0	0	0	1,738,840	1,419,478	319,362	1,738,840	1,419,478	319,362
269,154	269,154	0	2,400,000	2,400,000	0	2,669,154	2,669,154	0
176,677	163,980	12,697	165,375	165,375	0	342,052	329,355	12,697
462,937	433,134	29,803	4,353,815	4,044,244	309,571	11,486,656	10,069,255	1,417,401
(462,937)	(433,134)	29,803	(3,133,975)	(3,183,040)	(49,065)	(4,209,116)	(3,277,310)	931,806
0	0	0	35,000	35,000	0	35,000	35,000	0
0	0	0	2,300,000	2,300,000	0	2,300,000	2,300,000	0
445,831	433,134	(12,697)	974,330	901,977	(72,353)	2,686,689	2,647,103	(39,586)
0	0	0	(134,625)	(129,979)	4,646	(2,329,207)	(2,343,892)	(14,685)
445,831	433,134	(12,697)	3,174,705	3,106,998	(67,707)	2,692,482	2,638,211	(54,271)
(17,106)	0	17,106	40,730	(76,042)	(116,772)	(1,516,634)	(639,099)	877,535
17,106	17,106	0	(24,074)	(24,074)	0	1,805,391	1,805,391	0
0	0	0	324,074	324,074	0	387,737	387,737	0
\$0	\$17,106	\$17,106	\$340,730	\$223,958	(\$116,772)	\$676,494	\$1,554,029	\$877,535

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u><b>Enterprise Funds</b></u>
<u>Operating Revenues:</u>	
Charges for Services	\$3,239,036
Total Operating Revenues	<u>3,239,036</u>
<u>Operating Expenses:</u>	
Personal Services	499,700
Materials and Supplies	78,534
Contractual Services	1,900,964
Utilities	107,712
Depreciation	277,269
Other Operating Expenses	43,279
Total Operating Expenses	<u>2,907,458</u>
Operating Income	331,578
<u>Nonoperating Revenues (Expenses):</u>	
Investment Earnings	80,934
Interest and Fiscal Charges	(143,123)
Nonoperating Revenues	42,393
Total Nonoperating Revenues (Expenses)	<u>(19,796)</u>
Income Before Operating Transfers	311,782
<u>Operating Transfers:</u>	
Operating Transfers Out	<u>(303,211)</u>
Total Operating Transfers	<u>(303,211)</u>
Net Income	8,571
Retained Earnings at Beginning of Year	<u>6,876,422</u>
Retained Earnings at End of Year	<u><u>\$6,884,993</u></u>

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

**THE CITY OF LOVELAND, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Enterprise Funds</i>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$3,272,944
Cash Payments for Goods and Services	(2,017,202)
Cash Payments to Employees	(517,012)
Net Cash Provided by Operating Activities	738,730
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers Out to Other Funds	(303,211)
Net Cash Used for Noncapital Financing Activities	(303,211)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(117,029)
Landfill Postclosure Costs	(5,581)
Principal Paid on General Obligation Bonds	(195,000)
Interest Paid on All Debt	(124,708)
Net Cash Used for Capital and Related Financing Activities	(442,318)
<u>Cash Flows from Investing Activities:</u>	
Receipt of Interest	50,000
Sale of Investments	509,024
Net Cash Provided by Investing Activities	559,024
Net Increase in Cash and Cash Equivalents	552,225
Cash and Cash Equivalents at Beginning of Year	274,340
Cash and Cash Equivalents at End of Year	\$826,565
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$331,578
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	277,269
Miscellaneous Nonoperating Revenue	42,393
Changes to Assets and Liabilities:	
Increase in Accounts Receivable	(8,485)
Decrease in Inventory	3,552
Increase in Prepaid Items	(683)
Increase in Accounts Payable	110,418
Increase in Accrued Wages and Benefits	8,425
Decrease in Compensated Absences	(25,737)
Total Adjustments	407,152
Net Cash Provided by Operating Activities	\$738,730

Schedule of Noncash Investing, Capital and Financing Activities:

The fair value of investments increased by \$61,695 in the Water Fund.

**THE CITY OF LOVELAND, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

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

The City of Loveland, Ohio (the "City") is a home-rule municipal 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 on July 25, 1961.

**A. Reporting Entity**

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

Based on the foregoing, the City's financial reporting entity includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: police protection, parks and recreation, planning, zoning, street maintenance and other governmental services. The City also provides refuse collection services (on a contractual basis) and owns and operates a water treatment and distribution system and a wastewater treatment and collection system (which is operated by the Metropolitan Sewer District), each of which is reported as an enterprise fund. In addition, the City has included the Community Improvement Corporation of Loveland (CIC) as a blended component unit.

The Community Improvement Corporation of Loveland (CIC), a non-profit organization, is an eleven member board comprised of one City official, seven council members and three community representatives. Although it is legally separate from the City, the CIC is reported as if it were part of the primary government because the City can impose its' will on the CIC. The primary purpose of the CIC is the planning of the industrial, commercial, distribution and research development of the City, including the assurance that mortgage payments will be made to foster such development, the acquisition, construction, equipment and improvement of buildings, structures and other properties, the acquisition of sites for such development, the lease, sale and subdivision of such sites and incurring of debt in order to carry out such development, and to make loans to any individual or business entity in order to carry out such development purpose for the City. Funding to finance the CIC comes from the sale of properties owned by the CIC and contributions from the City and private sources.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****B. Basis of Presentation - Fund Accounting**

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

***Governmental Funds***

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

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

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

Debt Service Fund - This fund is used for the accumulation of resources for the payment of general and special assessment long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by the proprietary funds).

***Proprietary Funds***

The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary fund is included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

*Fiduciary Fund*

Agency Fund - This fund is used to account for assets held by a government unit as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

**C. 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 and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "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 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.

Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2001 but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.



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

**C. Basis of Accounting (Continued)**

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

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

**D. Budgetary Process**

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

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

**1. Tax Budget**

By July 15, the 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 20 of each year for the period January 1 to December 31 of the following year.

**2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating 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 do 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 if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

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

**D. Budgetary Process (Continued)**

**3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**6. Budgetary Basis of Accounting**

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

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

**D. Budgetary Process (Continued)**

**6. Budgetary Basis of Accounting (Continued)**

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$53,728)	(\$432,637)	\$0	\$77,630
Increase (Decrease):				
Accrued Revenues at December 31, 2001 received during 2002	(480,589)	(80,795)	0	(62,588)
Accrued Revenues at December 31, 2000 received during 2001	539,411	129,846	0	105,357
Accrued Expenditures at December 31, 2001 paid during 2002	163,453	66,640	0	72,064
Accrued Expenditures at December 31, 2000 paid during 2001	(166,368)	(79,207)	0	(92,162)
2000 Prepays for 2001	13,508	12,431	0	1,199
2001 Prepays for 2002	(15,687)	(16,725)	0	(1,500)
Note Proceeds	0	0	0	2,300,000
Note Retirement	0	0	0	(2,400,000)
Entity Difference	0	(37,263)	0	0
Outstanding Encumbrances	0	(125,347)	0	(76,042)
Budget Basis	<u>\$0</u>	<u>(\$563,057)</u>	<u>\$0</u>	<u>(\$76,042)</u>

**E. Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

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

**E. Cash and Investments (Continued)**

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider its share of equity in STAR Ohio to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost.

The City has invested funds in the STAR Ohio during 2001. 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 the investment could be sold for on December 31, 2001. See Note 4, "Cash, Cash Equivalents and Investments".

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

1. Property, Plant and Equipment - General Governmental Purposes

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

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

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

**H. Fixed Assets and Depreciation (Continued)**

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

General fixed asset values were initially determined at December 31, 1988 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. The estimated cost for certain fixed assets was arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

**2. Property, Plant and Equipment - Proprietary Funds**

Property, plant and equipment (including water and sewer lines) acquired by the proprietary funds are stated at estimated historical cost. Estimated historical costs for water and sewer lines were derived by establishing a current cost for construction and indexing this cost back to the estimated date of original construction. Contributed fixed assets are recorded at fair market value at the date received.

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

Description	Estimated Lives (Years)
Buildings	15 - 60
Improvements Other Than Buildings (Utility Lines)	50
Machinery, Equipment, Furniture and Fixtures	3 - 10

**I. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Bond Fund Water Fund Sewer Fund
Ohio Public Works Commission Loans	General Bond Fund
Capital Lease	General Fund
Compensated Absences	General Fund Water Fund Sewer Fund Sanitation Fund
Police and Fire Pension Accrued Liability	General Fund

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

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

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

For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water, sewer, and refuse collection enterprise funds when earned, and the related liability is reported within the fund.

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**L. Interfund Transactions**

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

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2001.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

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

**M. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, supplies inventory, debt service, and encumbered amounts that have not been accrued at year end.

**N. Total Columns on Combined Financial Statements - Overview**

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**O. Restricted Assets**

Certain assets are classified as restricted cash and cash equivalents and cash with fiscal agents on the balance sheet because these funds are not available for general operating purposes.

**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. The changes to the beginning fund balances as a result of implementing GASB No. 33 and 36 are as follows:

<u>Fund Name</u>	Fund Balance as Reported 12/31/00	GASB 33 & 36 Implementation	Fund Balance as Restated 12/31/00
General Fund	\$318,012	\$69,898	\$387,910
Special Revenue Funds	1,922,014	42,538	1,964,552

In addition to the above noted change to fund balance the restatement of fund balances had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:

<u>Fund Name</u>	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Reported 12/31/00	GASB 33 & 36 Implementation	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Restated 12/31/00
General Fund	(\$69,559)	\$69,898	\$339
Special Revenue Funds	(224,952)	42,538	(182,414)

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficits**

The fund deficit at December 31, 2001 of \$18,150 in the Issue II Projects Fund (capital projects fund) arises from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the cash basis. The deficit does not exist under the cash basis of accounting. The fund deficit of \$2,278,368 in the Special Projects Fund (capital projects fund) results from the recognition of general obligation notes payable under the modified accrual basis of accounting. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. The General Fund provides operating transfers when cash is required, not when accruals occur.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2001, expenditures exceeded appropriations at the function level as follows:

Fund	Excess
General Fund:	
Security of Persons and Property	\$48,036
Community Environment	6,750
Special Projects Funds:	
Fire Protection Fund:	
Security of Persons and Property	21,198
Income Tax Fund:	
Operating Transfers Out	19,359
Capital Projects Fund:	
Special Projects Fund:	
Community Environment	1,848
General Government	1,431
Other Expenditures	6,512
Capital Outlay	29,363

The excess expenditures were funded from available fund balances.



**NOTE 4 - 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 "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 no later than the end of the current period of designation of depositories.

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

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

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

The GASB has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

*Investments:*

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

**A. Deposits**

At year end the carrying amount of the City's deposits was \$1,201,883 and the bank balance was \$1,613,434. Federal depository insurance covered \$1,400,000 of the deposits and bank balance. All remaining deposits were classed as Category 3.

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2001 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$1,885,100	\$0	\$1,885,100
Repurchase Agreements	0	401,795	401,795
Total Categorized	1,885,100	401,795	2,286,895
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	1,157,841
Total Investments	1,885,100	401,795	3,444,736

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

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$1,361,519	\$3,285,100
Certificates of Deposit (with maturities of more than 3 months)	1,400,000	(1,400,000)
Investments:		
Repurchase Agreements	(401,795)	401,795
STAR Ohio	(1,157,841)	1,157,841
Per GASB Statement No. 3	1,201,883	3,444,736

\* Includes Cash with Fiscal Agent of \$5,108.

**D. Cash with Fiscal Agent**

Cash with Fiscal Agent includes funds on deposit with the Mayor's Court and a bond and coupon account, all of which are classified as Category 3.

**NOTE 5 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 1996 for Clermont County, 2000 for Warren County, and 1999 for Hamilton County. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

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

The County Treasurers collect property taxes on behalf of all taxing districts in the counties including the City of Loveland. The County Auditors periodically remit to the City its portion of the taxes collected.

The assessed values upon which the 2001 property tax receipts were based were as follows:

	County		
	Hamilton	Clermont	Warren
Real Property:			
Residential/Agricultural	\$166,833,950	\$24,723,330	\$8,587,330
Personal Property:			
Tangible Personal Property	15,160,630	1,350,045	134,410
Public Utility Personal Property	6,077,830	2,063,180	201,510
Total Assessed Value	<u>\$188,072,410</u>	<u>\$28,136,555</u>	<u>\$8,923,250</u>
Tax Rate/Assessed Value	\$10.00/\$1,000	\$10.00/\$1,000	\$7.43/\$1,000

**NOTE 5 – TAXES (Continued)**

**B. Income Tax**

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2001 consisted of taxes, interest, accounts receivable, special assessments and intergovernmental receivables arising from shared revenues.

**NOTE 7 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2001:

Fund	Transfers In	Transfers Out
General Fund	\$1,214,664	\$69,572
Special Revenue Funds:		
Fire Protection Fund	47,328	0
Income Tax Fund	50,000	2,074,769
Paramedic Fund	0	69,572
Total Special Revenue Funds	97,328	2,144,341
Debt Service Fund:		
General Bond Fund	433,134	0
Capital Projects Funds:		
Recreation Capital Improvement Fund	606,618	129,979
Special Projects Fund	295,359	0
Total Capital Projects Funds	901,977	129,979
Enterprise Funds:		
Water Fund	0	226,311
Sewer Fund	0	9,200
Sanitation Fund	0	67,700
Total Enterprise Funds	0	303,211
Totals	\$2,647,103	\$2,647,103

**NOTE 8 - FIXED ASSETS****A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 2000	Additions	Deletions	December 31, 2001
Land	\$5,545,443	\$79,438	(\$1,163)	\$5,623,718
Buildings and Improvements	4,035,102	495,774	0	4,530,876
Improvements other than Buildings	1,220,397	12,756	0	1,233,153
Machinery and Equipment	3,155,335	361,363	(22,466)	3,494,232
Construction In Progress	157,138	96,298	(84,969)	168,467
Totals	\$14,113,415	\$1,045,629	(\$108,598)	\$15,050,446

**B. Proprietary Fixed Assets**

Summary by category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$254,907	\$0	\$254,907
Buildings and Improvements	1,446,273	(822,205)	624,068
Utility Structures in Service	12,314,354	(3,319,291)	8,995,063
Machinery and Equipment	257,172	(131,324)	125,848
Property, Plant and Equipment	\$14,272,706	(\$4,272,820)	\$9,999,886

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

**A. Public Employees Retirement System (the "PERS of Ohio")**

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$179,616, \$144,116 and \$169,235, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$57,000.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$162,656, \$165,270 and \$153,000, respectively, which were equal to the required contributions for each year.

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

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$62,560 representing 7.5% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

**NOTE 10 – COMPENSATED ABSENCES**

All full-time City employees earn sick leave at the rate of 10 hours per calendar month of active service, up to a limit of 1,424 hours. Upon retirement from the City any employee, with 15 years of active service, receives one hour of monetary compensation for every four hours of unused sick leave, making the maximum payout 356 hours. The monetary compensation is the hourly rate of compensation of the employee at the time of retirement.



**NOTE 10 – COMPENSATED ABSENCES (Continued)**

All full-time City employees earn vacation at varying rates based upon length of service. An employee may carry forward up to one year of vacation credit, plus six days, to the next year. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance, which is not to exceed the carryover for one year.

The City records a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount increased \$73,632 from a beginning year balance of \$475,259 to a year end balance of \$548,891.

At December 31, 2001 the total accumulated unpaid sick leave time recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	25,309	\$487,040
Vacation	<u>4,081</u>	<u>61,851</u>
Total	<u>29,390</u>	<u>\$548,891</u>

Compensated absences attributable to the Enterprise Funds of \$140,416 have been recorded within the Enterprise Funds and are not included in the above figures.

**NOTE 11 - NOTES PAYABLE**

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

The City intends to retire its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

	<u>Balance January 1, 2001</u>	<u>Issued (Retired)</u>	<u>Balance December 31, 2001</u>
Capital Projects Funds Notes Payable:			
4.63% Real Estate Bond Anticipation Note	\$2,400,000	(\$2,400,000)	\$0
2.75% Real Estate Bond Anticipation Note	<u>0</u>	<u>2,300,000</u>	<u>2,300,000</u>
Total Notes Payable	<u>\$2,400,000</u>	<u>(\$100,000)</u>	<u>\$2,300,000</u>

**NOTE 12 - LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2001 were as follows:

				Balance		Balance
				December 31,	Issued	December 31,
				2000	(Retired)	2001
<b>Enterprise Funds:</b>						
General Obligation Bonds:						
1990	Water System Improvement	2003	\$335,000	(\$105,000)	\$230,000	
1998	Water System Improvement	2018	2,340,000	(90,000)	2,250,000	
Total General Obligation Bonds			2,675,000	(195,000)	2,480,000	
<b>Other Long-Term Obligations:</b>						
Landfill Closure and Postclosure Care				21,228	(5,581)	15,647
Total Enterprise Long-Term Debt						
Other Long-Term Obligations				\$2,696,228	(\$200,581)	\$2,495,647
<b>General Long-Term Debt:</b>						
General Obligation Bonds:						
1987	Recreation - Senior Center	2003	\$145,000	(\$50,000)	\$95,000	
1997	Various Purpose Bonds	2017	2,255,000	(90,000)	2,165,000	
Total General Obligation Bonds			2,400,000	(140,000)	2,260,000	
Ohio Public Works Commission Loans:						
1993	Hanna Avenue Waterline	2013	137,942	(11,495)	126,447	
1993	State Route 48 Waterline	2008	122,023	(14,739)	107,284	
1994	Park Avenue Waterline	2009	82,966	(9,323)	73,643	
1994	East Loveland Avenue	2014	244,621	(14,295)	230,326	
1994	West Booster	2015	193,658	(11,830)	181,828	
1995	Lever Water Tower	2016	518,505	(25,677)	492,828	
1996	Maderia Road Waterline	2016	450,380	(28,149)	422,231	
1999	State Route 48 North	2020	253,123	(13,646)	239,477	
Total Ohio Public Works Commission Loans			2,003,218	(129,154)	1,874,064	
Total General Long-Term Debt			4,403,218	(269,154)	4,134,064	
<b>Other Long-Term Obligations:</b>						
Capital Lease				0	245,000	
					(49,239)	195,761
Compensated Absences				475,259	73,632	548,891
Police Pension Accrued Liability				38,802	(511)	38,291
Total Other Long-Term Obligations			514,061	268,882	782,943	
Total General Long-Term Debt and						
Other Long-Term Obligations			\$4,917,279	(\$272)	\$4,917,007	

**A. Police and Firemen's Pension Fund**

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 2001 was \$71,873 in principal and interest payments through the year 2035. Only the principal amount due of \$38,291 is included in the General Long-Term Obligations Account Group.

**NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

**B. Principal and Interest Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2001, follows:

Years	General Obligation Bonds		OPWC Loans		Police Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$350,000	\$231,881	\$131,452	\$32,065	\$533	\$1,622
2003	355,000	211,742	133,818	29,702	556	1,599
2004	200,000	193,218	136,255	27,263	580	1,575
2005	210,000	184,768	138,769	24,751	605	1,550
2006	220,000	175,686	141,353	22,163	631	1,524
2007-2011	1,260,000	719,628	644,852	73,495	3,586	7,189
2012-2016	1,590,000	384,848	513,278	21,236	4,425	6,350
2017-2021	555,000	35,834	34,287	15	5,461	5,314
2022-2035	0	0	0	0	21,914	6,859
Totals	<u>\$4,740,000</u>	<u>\$2,137,605</u>	<u>\$1,874,064</u>	<u>\$230,690</u>	<u>\$38,291</u>	<u>\$33,582</u>

**NOTE 13 - CAPITAL LEASE COMMITMENTS**

Under a capital lease the City leases a public safety radio communication system for the police and fire departments. The cost of the leased asset is accounted for in the General Fixed Assets Account Group and the related liability in the General Long-Term Obligations Account Group. The original cost of the assets under capital lease is \$245,000.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2001:

Year Ending December 31,	Capital Leases
2002	\$55,528
2003	55,527
2004	55,528
2005	55,527
Minimum Lease Payments	222,110
Less: Amount representing interest at the City's incremental borrowing rate of interest	(26,349)
Present value of minimum lease payments	<u>\$195,761</u>

**NOTE 14 - CONTRIBUTED CAPITAL**

Capital contributions received after December 31, 2000 will be recorded as revenue in the enterprise funds. During 2001, there were no changes in contributed capital reported by the City:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance at December 31, 2001	\$3,348,555	\$67,247	\$3,415,802

**NOTE 15 - SOLID WASTE LANDFILL POSTCLOSURE CARE COSTS**

The City owns a former landfill site which predates most modern regulatory and record keeping requirements. The exact date for commencement of waste placement activities is unknown, but waste placement activities ceased in the 1980's. The Ohio Environmental Protection Agency acting in accordance with applicable state and federal laws required the City to complete final closure of the site commencing in 1994. The approximate total cost of closure was \$351,779. State and federal laws require that the City monitor and maintain the site for at least five years after closure. The City estimates that the total postclosure liability associated with monitoring and maintaining the landfill site for the next several years is \$15,647. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables. Postclosure care costs are to be paid from the Sanitation and Environment Fund.

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Included in the services provided by the City financed primarily by user charges are water treatment and distribution, wastewater collection and treatment and refuse collection. The key financial information for these enterprise activities is as follows:

	<u>Water</u>	<u>Sanitation</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues	\$1,152,194	\$786,989	\$1,299,853	\$3,239,036
Depreciation	217,201	1,017	59,051	277,269
Operating Income (Loss)	318,397	47,161	(33,980)	331,578
Operating Transfers Out	226,311	67,700	9,200	303,211
Net Income (Loss)	55,567	3,893	(50,889)	8,571
Property, Plant and Equipment:				
Additions	117,029	0	0	117,029
Assets	10,734,686	229,391	2,450,195	13,414,272
Net Working Capital	1,892,866	143,851	703,858	2,740,575
Bonds Payable	2,480,000	0	0	2,480,000
Landfill Closure Liability	0	15,647	0	15,647
Total Equity	7,999,468	120,369	2,180,958	10,300,795

**NOTE 17 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**NOTE 18 - INSURANCE AND RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1997, the City joined the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**THE CITY OF LOVELAND, OHIO**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Balance December 31, 2000	Additions	Deductions	Balance December 31, 2001
<u>Mayor's Court</u>				
Restricted Assets:				
Cash with Fiscal Agent	\$5,717	\$153,608	(\$156,894)	\$2,431
Total Assets	<u>\$5,717</u>	<u>\$153,608</u>	<u>(\$156,894)</u>	<u>\$2,431</u>
Liabilities:				
Due to Others	\$5,717	\$153,608	(\$156,894)	\$2,431
Total Liabilities	<u>\$5,717</u>	<u>\$153,608</u>	<u>(\$156,894)</u>	<u>\$2,431</u>

**CITY OF LOVELAND, OHIO**

**REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

**for the years ended December 31, 2000 and 2001**



**Foxx & Company**  
Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Council Members  
City of Loveland, Ohio

We have audited the general-purpose financial statements of the City of Loveland, Ohio, as of and for the years ended December 31, 2000 and 2001, and have issued our reports thereon dated June 28, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Loveland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Loveland, Ohio in a separate letter dated June 28, 2002.

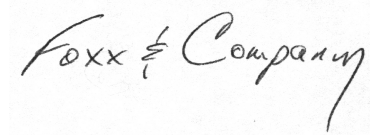
**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the City of Loveland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Loveland, Ohio in a separate letter dated June 28, 2002.

This report is intended for the information of management and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Foxx & Company". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
June 28, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**CITY OF LOVELAND**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 14, 2002**