

CITY OF LOVELAND, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

Prepared by:
Director of Finance



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Loveland, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 through December 31, 2011. 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.

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Dave Yost
Auditor of State

January 11, 2013

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TABLE OF CONTENTS

I FINANCIAL SECTION

A Independent Auditors' Report.....1

B Management's Discussion and Analysis3

C Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Assets.....13

 Statement of Activities14

 Fund Financial Statements:

Governmental Funds:

 Balance Sheet16

 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities18

 Statement of Revenues, Expenditures and Changes in Fund Balances20

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities22

 Statement of Revenues, Expenditures and Changes in Fund Balance –
 Budget and Actual (Non-GAAP Budgetary Basis):

 General Fund23

 Paramedic Fund24

 Fire and EMS Fund25

 Fire Protection Fund26

Proprietary Funds:

 Statement of Net Assets.....28

 Statement of Revenues, Expenses and Changes in Fund Net Assets30

 Statement of Cash Flows32

Fiduciary Funds:

 Statement of Assets and Liabilities.....36

Notes to the Basic Financial Statements.....37

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Loveland, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loveland, Ohio as of and for the year ended December 31, 2011, which collectively comprise the City of Loveland, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Loveland, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loveland, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Paramedic Fund, Fire and EMS Fund, and Fire Protection Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012, on our consideration of the City of Loveland, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Cincinnati, Ohio
September 17, 2012

CITY OF LOVELAND, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

The discussion and analysis of the City of Loveland's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets decreased \$124,852. Net assets of governmental activities decreased \$175,976, which represents a 1% decrease from 2010. Net assets of business-type activities increased \$51,124 from 2010.
- ❑ General revenues accounted for \$7,619,218 in revenue or 49% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,983,337 or 51% of total revenues of \$15,602,555.
- ❑ The City had \$9,779,249 in expenses related to governmental activities; only \$1,607,683 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7,619,218 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis*, and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF LOVELAND, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2011*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's programs and services are reported here including police protection, parks and recreation, planning, zoning, street maintenance and other governmental services.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's refuse collection, water, wastewater treatment, and stormwater services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

CITY OF LOVELAND, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2011 and 2010:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Current and other assets	\$9,471,597	\$10,078,566	\$2,017,567	\$1,726,537	\$11,489,164	\$11,805,103
Capital assets, Net	20,693,322	21,455,602	15,005,551	14,790,452	35,698,873	36,246,054
Total assets	30,164,919	31,534,168	17,023,118	16,516,989	47,188,037	48,051,157
Long-term debt outstanding	7,394,942	6,641,518	2,986,930	2,513,339	10,381,872	9,154,857
Other liabilities	3,397,632	5,344,329	103,737	122,323	3,501,369	5,466,652
Total liabilities	10,792,574	11,985,847	3,090,667	2,635,662	13,883,241	14,621,509
Net assets						
Invested in capital assets, net of related debt	13,154,734	13,337,321	12,112,597	12,477,954	25,267,331	25,815,275
Restricted	3,572,372	4,083,734	0	0	3,572,372	4,083,734
Unrestricted	2,645,239	2,127,266	1,819,854	1,403,373	4,465,093	3,530,639
Total net assets	<u>\$19,372,345</u>	<u>\$19,548,321</u>	<u>\$13,932,451</u>	<u>\$13,881,327</u>	<u>\$33,304,796</u>	<u>\$33,429,648</u>

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CITY OF LOVELAND, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2011

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for fiscal year 2011 and 2010:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services and Sales	\$914,021	\$997,860	\$6,328,637	\$5,797,289	\$7,242,658	6,795,149
Operating Grants and Contributions	663,752	573,445	47,017	32,822	710,769	606,267
Capital Grants and Contributions	29,910	948,474	0	0	29,910	948,474
Total Program Revenues	1,607,683	2,519,779	6,375,654	5,830,111	7,983,337	8,349,890
General Revenues:						
Property Taxes	2,787,525	3,348,829	0	0	2,787,525	3,348,829
Income Taxes	3,363,631	3,575,815	0	0	3,363,631	3,575,815
Other Local Taxes	181,457	142,245	0	0	181,457	142,245
Intergovernmental, Unrestricted	860,409	867,124	0	0	860,409	867,124
Investment Earnings	75,345	60,479	0	0	75,345	60,479
Miscellaneous	350,851	437,793	0	0	350,851	437,793
Total General Revenue	7,619,218	8,432,285	0	0	7,619,218	8,432,285
Total Revenues	9,226,901	10,952,064	6,375,654	5,830,111	15,602,555	16,782,175
Program Expenses						
Security of Persons and Property	5,110,699	5,337,088	0	0	5,110,699	5,337,088
Leisure Time Activities	509,744	944,693	0	0	509,744	944,693
Community Environment	221,506	236,337	0	0	221,506	236,337
Transportation	1,019,091	1,334,262	0	0	1,019,091	1,334,262
General Government	2,573,967	2,709,148	0	0	2,573,967	2,709,148
Interest and Fiscal Charges	344,242	192,228	0	0	344,242	192,228
Water	0	0	1,483,481	1,546,890	1,483,481	1,546,890
Sewer	0	0	3,002,905	3,065,893	3,002,905	3,065,893
Stormwater	0	0	479,090	444,412	479,090	444,412
Sanitation	0	0	982,682	1,187,767	982,682	1,187,767
Total expenses	9,779,249	10,753,756	5,948,158	6,244,962	15,727,407	16,998,718
Excess (Deficiency) before Transfers	(552,348)	198,308	427,496	(414,851)	(124,852)	(216,543)
Transfers	376,372	290,701	(376,372)	(290,701)	0	0
Total Change in Net Assets	(175,976)	489,009	51,124	(705,552)	(124,852)	(216,543)
Beginning Net Assets	19,548,321	19,059,312	13,881,327	14,586,879	33,429,648	33,646,191
Ending Net Assets	\$19,372,345	\$19,548,321	\$13,932,451	\$13,881,327	\$33,304,796	\$33,429,648

Governmental Activities

Net assets of the City's governmental activities decreased \$175,976 in 2011. Grants received in the prior year for development of the Historic Loveland District resulted in the subsequent decrease in capital grants and contributions in the current year. Decreases in property taxes can be attributed to the phase out of tangible personal property taxes as well as property value reassessments.

CITY OF LOVELAND, OHIO

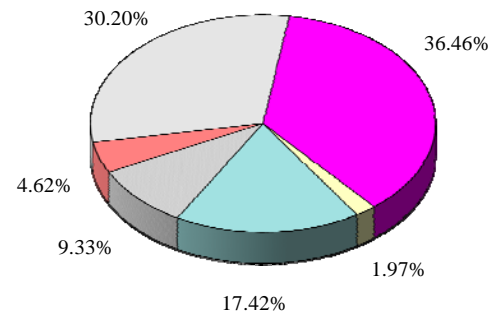
**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

The City receives an income tax, which is based on 1.00% of all salaries, wages, commissions and other compensation and on net profits earned from businesses and residents living within the City.

Property taxes and income taxes made up 30% and 36% respectively of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
Property Taxes	\$2,787,525	30.20%
Income Taxes	3,363,631	36.46%
Other Local Taxes	181,457	1.97%
Program Revenues	1,607,683	17.42%
Intergovernmental, Unrestricted	860,409	9.33%
General Other	426,196	4.62%
Total Revenue	<u>\$9,226,901</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased \$51,124 or less than 1%. User rate increases resulted in an increase in charges for services. Expenses remained consistent with the previous year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,481,586, which is an increase from last year's balance of \$4,020,170. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Restated Fund Balance (Deficit) December 31, 2010	Increase (Decrease)
General	\$2,880,982	\$2,622,208	\$258,774
Paramedic	264,911	433,050	(168,139)
Fire and EMS	7,688	53,340	(45,652)
Fire Protection	34,536	115,801	(81,265)
Special Projects	972,711	868,768	103,943
Historic Loveland TIF	1,223,642	(112,158)	1,335,800
Other Governmental	97,116	39,161	57,955
Total	<u>\$5,481,586</u>	<u>\$4,020,170</u>	<u>\$1,461,416</u>

CITY OF LOVELAND, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

General Fund – The City's General Fund balance change is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2011 Revenues	Restated 2010 Revenues	Increase (Decrease)
Property Taxes	\$820,943	\$1,013,205	(\$192,262)
Municipal Income Tax	3,447,047	3,483,522	(36,475)
Intergovernmental Revenues	650,719	679,237	(28,518)
Charges for Services	590,017	668,500	(78,483)
Licenses and Permits	293,848	224,237	69,611
Investment Earnings	1,131	0	1,131
Fines and Forfeitures	124,326	133,548	(9,222)
All Other Revenue	101,851	199,053	(97,202)
Total	\$6,029,882	\$6,401,302	(\$371,420)

General Fund revenues decreased approximately 6% when compared with the prior year. Decreases in property taxes can be attributed to the phase out of tangible personal property taxes as well as property value reassessments.

	2011 Expenditures	Restated 2010 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,712,175	\$2,524,593	\$187,582
Leisure Time Activities	391,113	607,256	(216,143)
Community Environment	209,694	236,337	(26,643)
General Government	2,302,293	2,339,959	(37,666)
Total	\$5,615,275	\$5,708,145	(\$92,870)

General Fund expenditures decreased \$92,870 from the prior year. The purchase of playground equipment in the prior year resulted in the subsequent decrease in leisure time activities in the current year. The purchase of vehicles in the police department resulted in the increase in security of persons and property.

Paramedic Fund – The Paramedic Fund balance decreased due to decreases in property taxes, which can be attributed to the phase out of the tangible personal property tax as well as property value reassessments.

Fire and EMS Fund – The Fire and EMS Fund balance decreased due to decreases in property taxes, which can be attributed to the phase out of the tangible personal property tax as well as property value reassessments.

Fire Protection Fund – The Fire Protection Fund balance decreased due to decreases in property taxes, which can be attributed to the phase out of the tangible personal property tax as well as property value reassessments.

CITY OF LOVELAND, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

Special Projects Fund – The City's Special Projects Fund reported an increase in fund balance of \$103,943 due mostly to bond proceeds recorded in the fund.

Historic Loveland TIF Fund – The Historic Loveland TIF fund reported a substantial increase in fund balance due to bond proceeds recorded in the fund.

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

During the course of fiscal year 2011 the City amended its General Fund budget several times, none significant.

For the General Fund, original revenue estimates, final revenue estimates and actual budget basis revenues were not materially different. Actual budget basis expenditures were 22% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the City had \$35,698,873 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$20,693,322 was related to governmental activities and \$15,005,551 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$3,751,815	\$3,842,681	(\$90,866)
Buildings	7,490,975	7,490,975	0
Improvements Other than Buildings	1,475,452	1,475,452	0
Machinery and Equipment	4,423,620	4,261,960	161,660
Infrastructure	19,403,088	19,403,088	0
Less: Accumulated Depreciation	(15,851,628)	(15,018,554)	(833,074)
Totals	\$20,693,322	\$21,455,602	(\$762,280)

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Land	\$721,263	\$721,263	\$0
Buildings & Improvements	2,614,345	2,614,345	0
Utility Structures in Service	15,526,553	15,526,553	0
Infrastructure	4,847,369	4,221,290	626,079
Machinery and Equipment	599,540	491,685	107,855
Less: Accumulated Depreciation	(9,303,519)	(8,784,684)	(518,835)
Totals	\$15,005,551	\$14,790,452	\$215,099

CITY OF LOVELAND, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

The primary changes in governmental activities occurred in machinery and equipment, which can be attributed to the purchase of vehicles in the police department. Water and storm drainage projects resulted in the increase in infrastructure in business-type activities capital assets. For additional information on the City's capital assets see Note 8.

Debt

At December 31, 2011, the City had \$6,970,000 in bonds outstanding, \$740,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds	\$4,853,800	\$3,607,300
Deferred Loss on Refundings	(33,116)	(38,635)
Ohio Public Works Commission Loans	2,027,904	2,259,616
Compensated Absences	514,544	780,649
Police Pension Accrued Liability	31,810	32,588
Total Governmental Activities	<u>\$7,394,942</u>	<u>\$6,641,518</u>
Business-Type Activities:		
General Obligation Bonds	\$2,116,200	\$2,317,700
Premium on Refunding Bonds	12,695	14,509
Deferred Loss on Refundings	(8,502)	(9,716)
Ohio Public Works Commission Loans	759,847	0
Capital Leases Payable	12,714	18,005
Compensated Absences	93,976	172,841
Total Business-Type Activities	<u>2,986,930</u>	<u>2,513,339</u>
Totals	<u>\$10,381,872</u>	<u>\$9,154,857</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

The City of Loveland has been experiencing the economic downturn along with the rest of the country and surrounding communities. While the impact has been less severe than some of our neighboring communities because of the City's proactive approach to cost reduction, the recession that gripped the nation and world has been felt here also. While we have not seen a drop off in income tax collections or loss of business, outside factors have begun to affect the City and its residents. Interest income from the City treasury has dropped off as the country has seen historically low rates of return on investments.

The State of Ohio has changed tax laws and long-standing revenue sharing arrangements which will reduce Loveland's annual General Government revenues by approximately \$730,000 by 2013. At the same time, declining property values will reduce property tax collections by an additional \$222,000 starting in 2012.

CITY OF LOVELAND, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

Adding to this set of revenue problems, there is every reason to believe that what is left of the local government fund will be eliminated in 2014 and 2015, reducing an additional \$150,000 of General Fund revenue annually by mid-2015. Thus the City will have between \$950,000 and \$1,100,000 less in revenue to provide basic local government services. The City has outlined possible cuts in services and placed a request for an income tax increase on the November 2012 ballot to offset these drastic cuts to the general fund.

The continued effects of rate increases due to the 1985 sewer agreement with Hamilton County and the Metropolitan Sewer District (MSD), and MSD's settlement with the U.S. Environmental Protection Agency are forecasted to continue with significant increases for many years to come. Loveland continues to have extremely low water rates for our residents through strong fiscally conservative policies and an abundant supply of water.

Citywide, companies have been experiencing growth, as evidenced by growth in income tax collections for both employee withholdings and business returns. The Commerce Park has seen a new tenant in AMP Electric Vehicles and expansions by a number of existing tenants including Pure Romance and Flex-Pack. In addition the City is pursuing a development agreement with hopes of breaking ground in 2012 to build up to 100 luxury apartments and 15,000 sq. ft. of retail space in Historic Downtown Loveland.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Director of Finance, City of Loveland, 120 West Loveland Ave., Loveland, Ohio 45140.

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CITY OF LOVELAND, OHIO

Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 2,326,912	\$ 1,935,344	\$ 4,262,256
Receivables:			
Taxes	3,338,118	0	3,338,118
Accounts	47,511	614,706	662,217
Intergovernmental	569,111	0	569,111
Interest	3,275	0	3,275
Internal Balances	563,589	(563,589)	0
Inventory of Supplies at Cost	81,596	31,106	112,702
Land Held for Resale	2,519,341	0	2,519,341
Restricted Assets:			
Cash and Cash Equivalents	3,467	0	3,467
Cash and Cash Equivalents with Fiscal Agent	18,677	0	18,677
Capital Assets:			
Capital Assets Not Being Depreciated	3,751,815	721,263	4,473,078
Capital Assets Being Depreciated	16,941,507	14,284,288	31,225,795
Total Assets	30,164,919	17,023,118	47,188,037
Liabilities:			
Accounts Payable	31,930	69,710	101,640
Accrued Wages and Benefits	206,724	26,812	233,536
Matured Bonds & Interest Payable	18,677	0	18,677
Deferred Revenue	2,410,777	0	2,410,777
Accrued Interest Payable	39,524	7,215	46,739
General Obligation Notes Payable	690,000	0	690,000
Long Term Liabilities:			
Due Within One Year	921,802	268,705	1,190,507
Due in More Than One Year	6,473,140	2,718,225	9,191,365
Total Liabilities	10,792,574	3,090,667	13,883,241
Net Assets:			
Invested in Capital Assets, Net of Related Debt	13,154,734	12,112,597	25,267,331
Restricted For:			
Capital Projects	2,673,584	0	2,673,584
Debt Service	81,048	0	81,048
Other Purposes	817,740	0	817,740
Unrestricted	2,645,239	1,819,854	4,465,093
Total Net Assets	\$ 19,372,345	\$ 13,932,451	\$ 33,304,796

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Statement of Activities
For the Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 5,110,699	\$ 189,146	\$ 8,019	\$ 0
Leisure Time Activities	509,744	0	0	0
Community Environment	221,506	135,082	0	0
Transportation	1,019,091	13,748	655,733	29,910
General Government	2,573,967	576,045	0	0
Interest and Fiscal Charges	344,242	0	0	0
Total Governmental Activities	9,779,249	914,021	663,752	29,910
Business-Type Activities:				
Water	1,483,481	1,534,373	0	0
Sewer	3,002,905	3,259,099	0	0
Stormwater	479,090	437,022	0	0
Sanitation	982,682	1,098,143	47,017	0
Total Business-Type Activities	5,948,158	6,328,637	47,017	0
Totals	\$ 15,727,407	\$ 7,242,658	\$ 710,769	\$ 29,910

General Revenues and Transfers

Property Taxes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,913,534)	\$ 0	\$ (4,913,534)
(509,744)	0	(509,744)
(86,424)	0	(86,424)
(319,700)	0	(319,700)
(1,997,922)	0	(1,997,922)
(344,242)	0	(344,242)
<u>(8,171,566)</u>	<u>0</u>	<u>(8,171,566)</u>
0	50,892	50,892
0	256,194	256,194
0	(42,068)	(42,068)
0	162,478	162,478
<u>0</u>	<u>427,496</u>	<u>427,496</u>
<u>(8,171,566)</u>	<u>427,496</u>	<u>(7,744,070)</u>
2,787,525	0	2,787,525
3,363,631	0	3,363,631
181,457	0	181,457
860,409	0	860,409
75,345	0	75,345
350,851	0	350,851
<u>376,372</u>	<u>(376,372)</u>	<u>0</u>
<u>7,995,590</u>	<u>(376,372)</u>	<u>7,619,218</u>
(175,976)	51,124	(124,852)
<u>19,548,321</u>	<u>13,881,327</u>	<u>33,429,648</u>
<u>\$ 19,372,345</u>	<u>\$ 13,932,451</u>	<u>\$ 33,304,796</u>

CITY OF LOVELAND, OHIO

Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Paramedic Fund	Fire and EMS Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Pooled Cash and Investments	\$ 1,786,303	\$ 264,580	\$ 8,993
Receivables:			
Taxes	1,598,356	790,156	414,339
Accounts	47,229	0	0
Intergovernmental	218,313	46,607	26,305
Interest	0	0	0
Interfund Loans Receivables	468,589	0	0
Inventory of Supplies, at Cost	0	0	0
Restricted Assets:			
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Land Held for Resale	0	0	0
Total Assets	<u>\$ 4,118,790</u>	<u>\$ 1,101,343</u>	<u>\$ 449,637</u>
Liabilities:			
Accounts Payable	\$ 26,610	\$ 428	\$ 1,727
Accrued Wages and Benefits Payable	192,222	0	0
Matured Bonds and Interest Payable	0	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue	1,018,976	836,004	440,222
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Total Liabilities	<u>1,237,808</u>	<u>836,432</u>	<u>441,949</u>
Fund Balances:			
Nonspendable	0	0	0
Restricted	0	264,911	7,688
Assigned	16,986	0	0
Unassigned	2,863,996	0	0
Total Fund Balances	<u>2,880,982</u>	<u>264,911</u>	<u>7,688</u>
Total Liabilities and Fund Balances	<u>\$ 4,118,790</u>	<u>\$ 1,101,343</u>	<u>\$ 449,637</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Fire Protection Fund	Special Projects Fund	Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 35,171	\$ 13,235	\$ 774	\$ 217,856	\$ 2,326,912
535,267	0	0	0	3,338,118
60	0	0	222	47,511
33,591	0	0	244,295	569,111
0	3,275	0	0	3,275
0	366,000	0	0	834,589
0	0	0	81,596	81,596
0	0	0	3,467	3,467
0	0	0	18,677	18,677
0	590,201	1,929,140	0	2,519,341
<u>\$ 604,089</u>	<u>\$ 972,711</u>	<u>\$ 1,929,914</u>	<u>\$ 566,113</u>	<u>\$ 9,742,597</u>
\$ 1,209	\$ 0	\$ 0	\$ 1,956	\$ 31,930
0	0	0	14,502	206,724
0	0	0	18,677	18,677
0	0	0	271,000	271,000
568,344	0	0	162,862	3,026,408
0	0	16,272	0	16,272
0	0	690,000	0	690,000
<u>569,553</u>	<u>0</u>	<u>706,272</u>	<u>468,997</u>	<u>4,261,011</u>
0	590,201	1,929,140	81,596	2,600,937
34,536	382,510	0	248,081	937,726
0	0	0	0	16,986
0	0	(705,498)	(232,561)	1,925,937
<u>34,536</u>	<u>972,711</u>	<u>1,223,642</u>	<u>97,116</u>	<u>5,481,586</u>
<u>\$ 604,089</u>	<u>\$ 972,711</u>	<u>\$ 1,929,914</u>	<u>\$ 566,113</u>	<u>\$ 9,742,597</u>

CITY OF LOVELAND, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2011***

Total Governmental Fund Balances	\$	5,481,586
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		20,693,322
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Property Taxes	128,210	
Income Taxes	54,956	
Intergovernmental Revenues	<u>432,465</u>	615,631
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(4,853,800)	
Deferred Loss on Debt Defeasance	33,116	
OPWC Public Works Commission Loans	(2,027,904)	
Compensated Absences Payable	(514,544)	
Police/Fire Accrued Pension Liability	(31,810)	
Accrued Interest Payable	<u>(23,252)</u>	<u>(7,418,194)</u>
<i>Net Assets of Governmental Activities</i>	\$	<u>19,372,345</u>

See accompanying notes to the basic financial statements

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CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011**

	General Fund	Paramedic Fund	Fire and EMS Fund
Revenues:			
Property Taxes	\$ 820,943	\$ 788,500	\$ 429,461
Municipal Income Tax	3,447,047	0	0
Intergovernmental Revenues	650,719	79,939	55,323
Charges for Services	590,017	60,000	0
Licenses and Permits	293,848	0	0
Investment Earnings	1,131	0	0
Special Assessments	0	0	0
Fines and Forfeitures	124,326	0	0
All Other Revenue	101,851	3,580	18,821
Total Revenue	<u>6,029,882</u>	<u>932,019</u>	<u>503,605</u>
Expenditures:			
Current:			
Security of Persons and Property	2,712,175	1,100,158	346,531
Leisure Time Activities	391,113	0	0
Community Environment	209,694	0	0
Transportation	0	0	0
General Government	2,302,293	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	952
Total Expenditures	<u>5,615,275</u>	<u>1,100,158</u>	<u>347,483</u>
Excess (Deficiency) of Revenues Over Expenditures	414,607	(168,139)	156,122
Other Financing Sources (Uses):			
Sale of Capital Assets	11,400	0	0
Sale of Bonds	0	0	0
Transfers In	0	0	0
Transfers Out	(165,927)	0	(201,774)
Total Other Financing Sources (Uses)	<u>(154,527)</u>	<u>0</u>	<u>(201,774)</u>
Net Change in Fund Balances	260,080	(168,139)	(45,652)
Fund Balances (Deficit) at Beginning of Year - Restated	2,622,208	433,050	53,340
Increase (Decrease) in Inventory Reserve	(1,306)	0	0
Fund Balances End of Year	<u>\$ 2,880,982</u>	<u>\$ 264,911</u>	<u>\$ 7,688</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Fire Protection Fund	Special Projects Fund	Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 540,195	\$ 0	\$ 3,195	\$ 138,232	\$ 2,720,526
0	0	0	0	3,447,047
66,768	0	0	724,505	1,577,254
0	0	0	0	650,017
0	0	0	13,748	307,596
0	65,741	8,473	0	75,345
0	58,678	0	22,691	81,369
0	0	0	4,820	129,146
17,972	78,269	48,981	81,377	350,851
<u>624,935</u>	<u>202,688</u>	<u>60,649</u>	<u>985,373</u>	<u>9,339,151</u>
706,200	0	0	0	4,865,064
0	0	0	0	391,113
0	0	0	0	209,694
0	0	0	595,393	595,393
0	178,435	0	99,190	2,579,918
0	203,310	8,319	107,308	318,937
0	0	0	685,212	685,212
0	0	133,530	194,803	329,285
<u>706,200</u>	<u>381,745</u>	<u>141,849</u>	<u>1,681,906</u>	<u>9,974,616</u>
(81,265)	(179,057)	(81,200)	(696,533)	(635,465)
0	0	0	0	11,400
0	283,000	1,417,000	0	1,700,000
0	0	0	946,651	946,651
0	0	0	(202,578)	(570,279)
<u>0</u>	<u>283,000</u>	<u>1,417,000</u>	<u>744,073</u>	<u>2,087,772</u>
(81,265)	103,943	1,335,800	47,540	1,452,307
115,801	868,768	(112,158)	39,161	4,020,170
0	0	0	10,415	9,109
<u>\$ 34,536</u>	<u>\$ 972,711</u>	<u>\$ 1,223,642</u>	<u>\$ 97,116</u>	<u>\$ 5,481,586</u>

CITY OF LOVELAND, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2011***

Net Change in Fund Balances - Total Governmental Funds \$ 1,452,307

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	236,162	
Depreciation Expense	(907,576)	(671,414)

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (90,866)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in Property Tax Revenue	66,999	
Decrease in Income Tax Revenue	(83,416)	
Decrease in Intergovernmental Revenue	(23,183)	
Decrease in Special Assessments Revenue	(72,650)	(112,250)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets.

General Obligation Bond Issuance		(1,700,000)
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	453,500	
Deferred Loss on Bond Refunding	(5,519)	
Ohio Public Works Commission Loans	231,712	
Police/Fire Accrued Pension Payment	778	680,471

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (9,438)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	266,105	
Change in Inventory	9,109	275,214

Change in Net Assets of Governmental Activities **\$ (175,976)**

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 804,873	\$ 862,718	\$ 851,594	\$ (11,124)
Municipal Income Tax	3,032,090	3,250,000	3,291,044	41,044
Intergovernmental Revenue	509,281	545,882	650,538	104,656
Charges for Services	553,630	593,418	590,017	(3,401)
Licenses and Permits	209,914	225,000	256,321	31,321
Fines and Forfeitures	134,345	144,000	123,204	(20,796)
All Other Revenues	65,586	70,300	71,986	1,686
Total Revenues	<u>5,309,717</u>	<u>5,691,318</u>	<u>5,834,704</u>	<u>143,386</u>
Expenditures:				
Current:				
Security of Persons and Property	3,254,083	3,469,201	2,689,107	780,094
Leisure Time Activities	472,167	503,380	390,189	113,191
Community Environment	251,518	268,145	207,849	60,296
General Government	2,785,738	2,969,896	2,302,077	667,819
Total Expenditures	<u>6,763,507</u>	<u>7,210,622</u>	<u>5,589,222</u>	<u>1,621,400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,453,790)	(1,519,304)	245,482	1,764,786
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	10,000	11,400	1,400
Transfers Out	(165,927)	(165,927)	(165,927)	0
Advances Out	(75,000)	(75,000)	(75,000)	0
Total Other Financing Sources (Uses):	<u>(230,927)</u>	<u>(230,927)</u>	<u>(229,527)</u>	<u>1,400</u>
Net Change in Fund Balance	(1,684,717)	(1,750,231)	15,955	1,766,186
Fund Balance at Beginning of Year	1,697,246	1,697,246	1,697,246	0
Prior Year Encumbrances	52,985	52,985	52,985	0
Fund Balance at End of Year	<u>\$ 65,514</u>	<u>\$ 0</u>	<u>\$ 1,766,186</u>	<u>\$ 1,766,186</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Paramedic Fund
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 856,600	\$ 856,600	\$ 817,408	\$ (39,192)
Intergovernmental Revenue	108,000	108,000	79,939	(28,061)
Charges for Services	60,000	36,950	60,000	23,050
All Other Revenues	0	0	3,580	3,580
Total Revenues	1,024,600	1,001,550	960,927	(40,623)
Expenditures:				
Current:				
Security of Persons and Property	1,417,214	1,407,209	1,102,006	305,203
Total Expenditures	1,417,214	1,407,209	1,102,006	305,203
Excess (Deficiency) of Revenues Over (Under) Expenditures	(392,614)	(405,659)	(141,079)	264,580
Fund Balance at Beginning of Year	405,659	405,659	405,659	0
Fund Balance at End of Year	\$ 13,045	\$ 0	\$ 264,580	\$ 264,580

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire and EMS Fund
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 451,500	\$ 460,267	\$ 444,847	\$ (15,420)
Intergovernmental Revenue	56,000	56,000	55,323	(677)
All Other Revenues	33,000	20,371	18,821	(1,550)
Total Revenues	540,500	536,638	518,991	(17,647)
Expenditures:				
Current:				
Security of Persons and Property	390,683	372,667	346,027	26,640
Debt Service:				
Interest and Fiscal Charges	0	952	952	0
Total Expenditures	390,683	373,619	346,979	26,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	149,817	163,019	172,012	8,993
Other Financing Sources (Uses):				
Transfers Out	(201,774)	(201,774)	(201,774)	0
Total Other Financing Sources (Uses):	(201,774)	(201,774)	(201,774)	0
Net Change in Fund Balance	(51,957)	(38,755)	(29,762)	8,993
Fund Balance at Beginning of Year	38,755	38,755	38,755	0
Fund Balance at End of Year	\$ (13,202)	\$ 0	\$ 8,993	\$ 8,993

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Protection Fund
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 580,900	\$ 586,663	\$ 559,779	\$ (26,884)
Intergovernmental Revenue	73,000	73,000	66,768	(6,232)
All Other Revenues	18,600	10,543	17,912	7,369
Total Revenues	672,500	670,206	644,459	(25,747)
Expenditures:				
Current:				
Security of Persons and Property	739,083	766,421	705,503	60,918
Total Expenditures	739,083	766,421	705,503	60,918
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(66,583)	(96,215)	(61,044)	35,171
Fund Balance at Beginning of Year	95,115	95,115	95,115	0
Prior Year Encumbrances	1,100	1,100	1,100	0
Fund Balance at End of Year	\$ 29,632	\$ 0	\$ 35,171	\$ 35,171

See accompanying notes to the basic financial statements

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CITY OF LOVELAND, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
Assets:			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 1,056,406	\$ 784,274	\$ 53,741
Receivables:			
Accounts	134,493	325,846	43,408
Inventory of Supplies at Cost	31,106	0	0
Total Current Assets	1,222,005	1,110,120	97,149
<i>Non Current Assets:</i>			
Capital Assets:			
Capital Assets Not Being Depreciated	661,773	59,490	0
Capital Assets Being Depreciated, Net	9,292,208	1,244,480	3,692,288
Total Assets	11,175,986	2,414,090	3,789,437
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	4,370	1,252	1,834
Accrued Wages and Benefits	16,632	1,273	6,566
Compensated Absences Payable - Current	12,434	0	6,271
Interfund Loans Payable	0	563,589	0
Accrued Interest Payable	2,269	21	4,776
Capital Leases Payable - Current	0	0	0
General Obligation Bonds - Current	125,000	4,000	69,000
OPWC Loans Payable - Current	23,380	0	14,612
Total Current Liabilities	184,085	570,135	103,059
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	54,113	0	21,158
Capital Leases Payable	0	0	0
General Obligation Bonds Payable	809,193	7,200	1,082,200
OPWC Loans Payable	444,220	0	277,635
Total Liabilities	1,491,611	577,335	1,484,052
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,552,188	1,292,770	2,248,841
Unrestricted	1,132,187	543,985	56,544
Total Net Assets	\$ 9,684,375	\$ 1,836,755	\$ 2,305,385

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$ 40,923	\$ 1,935,344
110,959	614,706
0	31,106
151,882	2,581,156
0	721,263
55,312	14,284,288
207,194	17,586,707
62,254	69,710
2,341	26,812
0	18,705
0	563,589
149	7,215
5,508	5,508
8,500	206,500
0	37,992
78,752	936,031
0	75,271
7,206	7,206
15,300	1,913,893
0	721,855
101,258	3,654,256
18,798	12,112,597
87,138	1,819,854
\$ 105,936	\$ 13,932,451

CITY OF LOVELAND, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
Operating Revenues:			
Charges for Services	\$ 1,527,142	\$ 3,258,031	\$ 433,109
Other Operating Revenue	7,231	1,068	3,913
Total Operating Revenues	<u>1,534,373</u>	<u>3,259,099</u>	<u>437,022</u>
Operating Expenses:			
Personal Services	378,384	38,667	114,397
Contractual Services	454,431	2,892,583	166,464
Materials and Supplies	146,388	11,651	17,185
Basic Utility Services	155,403	0	0
Depreciation	318,414	59,665	125,418
Total Operating Expenses	<u>1,453,020</u>	<u>3,002,566</u>	<u>423,464</u>
Operating Income	81,353	256,533	13,558
Nonoperating Revenue (Expenses):			
Intergovernmental Grants	0	0	0
Interest Expense	(30,461)	(339)	(55,626)
Total Nonoperating Revenues (Expenses)	<u>(30,461)</u>	<u>(339)</u>	<u>(55,626)</u>
Income (Loss) Before Transfers	50,892	256,194	(42,068)
Transfers:			
Transfers In	0	4,330	0
Transfers Out	(325,814)	0	(48,589)
Total Transfers	<u>(325,814)</u>	<u>4,330</u>	<u>(48,589)</u>
Change in Net Assets	(274,922)	260,524	(90,657)
Net Assets Beginning of Year	<u>9,959,297</u>	<u>1,576,231</u>	<u>2,396,042</u>
Net Assets End of Year	<u>\$ 9,684,375</u>	<u>\$ 1,836,755</u>	<u>\$ 2,305,385</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$ 1,095,316	\$ 6,313,598
2,827	15,039
<u>1,098,143</u>	<u>6,328,637</u>
71,541	602,989
882,332	4,395,810
22,379	197,603
0	155,403
5,650	509,147
<u>981,902</u>	<u>5,860,952</u>
116,241	467,685
47,017	47,017
(780)	(87,206)
<u>46,237</u>	<u>(40,189)</u>
162,478	427,496
0	4,330
(6,299)	(380,702)
(6,299)	(376,372)
156,179	51,124
(50,243)	13,881,327
<u>\$ 105,936</u>	<u>\$ 13,932,451</u>

CITY OF LOVELAND, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,559,704	\$3,236,288	\$434,021
Cash Payments for Goods and Services	(757,953)	(2,905,082)	(185,625)
Cash Payments to Employees	(361,979)	(48,158)	(114,903)
Net Cash Provided by Operating Activities	439,772	283,048	133,493
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	0	0	0
Transfers In from Other Funds	0	4,330	0
Transfers Out to Other Funds	(325,814)	0	(48,589)
Advances In From Other Funds	0	50,000	0
Net Cash Provided (Used) by Noncapital Financing Activities	(325,814)	54,330	(48,589)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(393,342)	0	(292,247)
OPWC Loan Issuance	467,600	0	292,247
Principal Paid on General Obligation Bonds	(120,000)	(4,000)	(69,000)
Principal Paid on Capital Leases	0	0	0
Interest Paid on All Debt	(29,626)	(330)	(54,820)
Net Cash Used for Capital and Related Financing Activities	(75,368)	(4,330)	(123,820)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	906,393	413,114	0
Net Cash Provided by Investing Activities	906,393	413,114	0
Net Increase (Decrease) in Cash and Cash Equivalents	944,983	746,162	(38,916)
Cash and Cash Equivalents at Beginning of Year	111,423	38,112	92,657
Cash and Cash Equivalents at End of Year	\$1,056,406	\$784,274	\$53,741

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$1,099,914	\$6,329,927
(993,788)	(4,842,448)
<u>(76,756)</u>	<u>(601,796)</u>
29,370	885,683
47,017	47,017
0	4,330
(6,299)	(380,702)
<u>0</u>	<u>50,000</u>
<u>40,718</u>	<u>(279,355)</u>
(38,657)	(724,246)
0	759,847
(8,500)	(201,500)
(5,291)	(5,291)
<u>(701)</u>	<u>(85,477)</u>
<u>(53,149)</u>	<u>(256,667)</u>
<u>0</u>	<u>1,319,507</u>
<u>0</u>	<u>1,319,507</u>
16,939	1,669,168
<u>23,984</u>	<u>266,176</u>
<u>\$40,923</u>	<u>\$1,935,344</u>

(Continued)

CITY OF LOVELAND, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
<u>Reconciliation of Operating Income to</u>			
<u>Net Cash Provided by Operating Activities:</u>			
Operating Income	\$81,353	\$256,533	\$13,558
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	318,414	59,665	125,418
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	25,331	(22,811)	(3,001)
Decrease in Inventory	6,691	0	250
Decrease in Accounts Payable	(8,422)	(848)	(2,226)
Increase (Decrease) in Accrued Wages and Benefits	1,415	(131)	553
Increase (Decrease) in Compensated Absences	14,990	(9,360)	(1,059)
Total Adjustments	<u>358,419</u>	<u>26,515</u>	<u>119,935</u>
Net Cash Provided (Used) by Operating Activities	<u>\$439,772</u>	<u>\$283,048</u>	<u>\$133,493</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$116,241	\$467,685
5,650	509,147
1,771	1,290
400	7,341
(6,041)	(17,537)
(5,215)	(3,378)
(83,436)	(78,865)
<u>(86,871)</u>	<u>417,998</u>
<u>\$29,370</u>	<u>\$885,683</u>

CITY OF LOVELAND, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2011***

	<u>Agency</u>
Assets:	
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	\$ 16,903
Total Assets	<u>16,903</u>
Liabilities:	
Due to Others	<u>16,903</u>
Total Liabilities	<u>\$ 16,903</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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.

The accompanying basic 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, 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 CIC is responsible for research and 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.

B. Basis of Presentation - Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

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

General - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are municipal income taxes and shared tax revenues. Primary expenditures are for police protection, community environment and general government.

Paramedic - This fund is used to account for the City's paramedic services.

Fire and EMS - This fund is used to account for costs primarily related to facility maintenance, insurance, utilities, dispatching and debt service for Fire and EMS services.

Fire Protection - This fund is used to account for the activities provided by the City's fire protection service.

Special Projects - This fund is used to account for the accumulation of resources for the City's various capital projects.

Historic Loveland TIF - This fund is used to account for the TIF monies being collected for the redevelopment of the Historic Loveland area.

Proprietary Funds - The proprietary funds are accounted for on an "economic resource" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Water - This fund is used to account for the operation of the City's water treatment and distribution systems.

Sewer - This fund is used to account for the operation of the City's sewage treatment and collection systems.

Stormwater - This fund is used to account for the operation of the City's stormwater system.

Sanitation - This fund is used to account for the operation of the City's refuse collection system.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary fund is an agency fund which accounts for the activity of the mayor's court. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds.. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

Special assessments receivable, which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2011 but which are not intended to finance 2011 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 government-wide statements, proprietary funds and the agency fund. Revenues are recognized when they are earned and expenses recognized when 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. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 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 for the General Fund and Major Special Revenue Funds" 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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are not reported as expenditures in the accompanying basic 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.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" for the General Fund and the Major Special Revenue Funds:

	Net Change in Fund Balance			
	General Fund	Paramedic Fund	Fire and EMS Fund	Fire Protection Fund
GAAP Basis (as reported)	\$260,080	(\$168,139)	(\$45,652)	(\$81,265)
Increase (Decrease):				
Accrued Revenues at December 31, 2011 received during 2012	(1,314,642)	(759)	(422)	(574)
Accrued Revenues at December 31, 2010 received during 2011	1,072,964	29,667	15,808	20,098
Accrued Expenditures at December 31, 2011 paid during 2012	218,832	428	1,727	1,209
Accrued Expenditures at December 31, 2010 paid during 2011	(206,430)	(2,276)	(1,223)	(512)
Outstanding Encumbrances	(2,000)	0	0	0
Perspective Difference:				
Activity of Funds Reclassified for GAAP Reporting Purpose:	(12,849)	0	0	0
Budget Basis	<u>\$15,955</u>	<u>(\$141,079)</u>	<u>(\$29,762)</u>	<u>(\$61,044)</u>

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, a repurchase agreement and the State Treasurer's Asset Reserve (STAR Ohio). STAR Ohio is considered a cash equivalent because it is a highly liquid investment with an original maturity date of three months or less.

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 maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled deposits and investments are considered to be cash equivalents. See Note 4 "Cash, Cash Equivalents and Investments."

G. 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 which are reported at cost, which approximates fair value. Fair value is determined by quoted market prices. See Note 4, "Cash, Cash Equivalents and Investments."

The City has invested funds in STAR Ohio during 2011. 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, 2011.

H. 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 funds when purchased and as expenses in the proprietary funds when used.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of three or more years.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined at December 31, 1987 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business-Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (Years)
Land Improvements	20
Buildings	25 – 50
Building Improvements	20 – 30
Infrastructure	10 – 20
Machinery, Equipment, Furniture, Fixtures and Vehicles	3 – 30

CITY OF LOVELAND, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Bond Fund Water Fund Stormwater Fund
Ohio Public Works Commission Loans	General Bond Fund
Capital Leases	Sewer Fund Stormwater Fund Sanitation Fund
Police/Fire Pension Accrued Liability	General Fund
Compensated Absences	General Fund Water Fund Sewer Fund Sanitation Fund Stormwater Fund

K. 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 to be 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 who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

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

L. Restricted Assets

Certain cash and cash equivalents are classified as restricted on the balance sheet because these funds are being held by a trustee, an agent or by the City for specified purposes.

M. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, entitlements and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

N. Pensions

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

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, storm water collection and refuse collection. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2011.

T. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

The application of GASB 54 resulted in changes to beginning of year balances as detailed below:

	General Fund	Other Governmental Funds
Fund Balance/Net Assets at December 31, 2010	\$2,618,071	\$43,298
GASB 54 Fund Reclassification	4,137	(4,137)
Net Assets, as Restated	\$2,622,208	\$39,161

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Paramedic Fund	Fire and EMS Fund	Fire Protection Fund	Special Projects Fund	Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:								
Supplies Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$81,596	\$81,596
Land Held for Resale	0	0	0	0	590,201	1,929,140	0	2,519,341
Total Nonspendable	0	0	0	0	590,201	1,929,140	81,596	2,600,937
Restricted:								
Fire and EMS Services	0	264,911	7,688	34,536	0	0	0	307,135
Street Maintenance	0	0	0	0	0	0	107,728	107,728
Law Enforcement	0	0	0	0	0	0	9,076	9,076
Court Computer Improvements	0	0	0	0	0	0	3,944	3,944
Community Environment	0	0	0	0	0	0	3,467	3,467
Debt Retirement	0	0	0	0	0	0	104,074	104,074
Capital Improvements	0	0	0	0	382,510	0	19,792	402,302
Total Restricted	0	264,911	7,688	34,536	382,510	0	248,081	937,726
Assigned:								
Other Purposes	16,986	0	0	0	0	0	0	16,986
Total Assigned	16,986	0	0	0	0	0	0	16,986
Unassigned (Deficits):								
	2,863,996	0	0	0	0	(705,498)	(232,561)	1,925,937
Total Fund Balances	\$2,880,982	\$264,911	\$7,688	\$34,536	\$972,711	\$1,223,642	\$97,116	\$5,481,586

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the City into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the 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).

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. 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. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$1,963,705 and the bank balance was \$1,910,169. Federal depository insurance covered the entire balance.

B. Investments

The City's investments at December 31, 2011 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
Repurchase Agreements	\$805,066	N/A	\$805,066	\$0
STAR Ohio	99,952	AAAm ¹	99,952	0
Money Market Fund	25,127	AAA ¹ /Aaa ²	25,127	0
FNMA	804,253	AAA ¹ /Aaa ²	501,149	303,104
FHLMC	603,200	AAA ¹ /Aaa ²	301,528	301,672
Total Investments	<u>\$2,337,598</u>		<u>\$1,732,822</u>	<u>\$604,776</u>

¹ Standard & Poor's

² Moody's Investor Service

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date, the City has no policy beyond that of Ohio Revised Code.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 61% are in Federal Securities, 34% is invested in a repurchase agreement, and the remaining 5% is in STAR Ohio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, 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 2008 for Clermont County, 2006 for Warren County, and 2011 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business a railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

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 2011 property tax receipts were based were as follows:

	County		
	Hamilton	Clermont	Warren
Real Property:			
Residential/Agricultural	\$224,143,830	\$53,547,480	\$24,141,930
Personal Property:			
Public Utility Personal Property	4,131,780	876,550	90,254
Total Assessed Value	<u>\$228,275,610</u>	<u>\$54,424,030</u>	<u>\$24,232,184</u>
Tax Rate/Assessed Value	\$10.35/\$1,000	\$9.9/\$1,000	\$10.00/\$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.

For 2011, all income tax proceeds were recorded in the General Fund. In prior years, income taxes were recorded in an Income Tax Fund and transferred to appropriate funds in accordance with City Ordinances.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 6 - RECEIVABLES

Receivables at December 31, 2011 consisted of property and income taxes, accounts receivable, interest, and intergovernmental receivables arising from shared revenues.

NOTE 7 – TRANSFERS AND INTERFUND ACTIVITY

A. Transfers

Following is a summary of transfers in and out for all funds for 2011:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$165,927
Fire & EMS Fund	0	201,774
Nonmajor Governmental Funds	946,651	202,578
Total Governmental Funds	946,651	570,279
Enterprise Fund:		
Water	0	325,814
Sewer	4,330	0
Stormwater	0	48,589
Sanitation	0	6,299
Total Enterprise Funds	4,330	380,702
Totals	\$950,981	\$950,981

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The General Fund, Fire and EMS Fund, Nonmajor Governmental Funds, and Enterprise funds provided transfers to the debt service fund during the year to retire a portion of debt paid by governmental activities.

B. Interfund Activity

Interfund balances at December 31, 2011 consist of the following individual fund receivables and payables:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$468,589	\$0
Special Projects Fund	366,000	0
Nonmajor Governmental Funds	0	271,000
Total Governmental Funds	834,589	271,000
Enterprise Fund:		
Sewer Fund	0	563,589
Totals	\$834,589	\$834,589

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 7 – TRANSFERS AND INTERFUND ACTIVITY (Continued)

B. Interfund Activity (Continued)

The interfund loan balances result from the General Fund and Special Projects Fund advances of monies to other funds to assist with cashflow.

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2011:

Historical Cost:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$3,842,681	\$0	(\$90,866)	\$3,751,815
<i>Capital assets being depreciated:</i>				
Buildings	7,490,975	0	0	7,490,975
Improvements other than Buildings	1,475,452	0	0	1,475,452
Machinery and Equipment	4,261,960	236,162	(74,502)	4,423,620
Infrastructure	19,403,088	0	0	19,403,088
Total Cost	<u>\$36,474,156</u>	<u>\$236,162</u>	<u>(\$165,368)</u>	<u>\$36,544,950</u>

Accumulated Depreciation:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(1,684,265)	(152,604)	0	(1,836,869)
Improvements other than Buildings	(1,089,632)	(36,606)	0	(1,126,238)
Machinery and Equipment	(2,749,935)	(377,754)	74,502	(3,053,187)
Infrastructure	(9,494,722)	(340,612)	0	(9,835,334)
Total Depreciation	<u>(\$15,018,554)</u>	<u>(\$907,576) *</u>	<u>\$74,502</u>	<u>(\$15,851,628)</u>
<i>Net Value:</i>	<u>\$21,455,602</u>			<u>\$20,693,322</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$337,186
Leisure Time Activities	118,281
Transportation	423,458
General Government	28,651
Total Depreciation Expense	<u>\$907,576</u>

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2011:

Historical Cost:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$721,263	\$0	\$0	\$721,263
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	2,614,345	0	0	2,614,345
Utility Structures in Service	15,526,553	0	0	15,526,553
Infrastructure	4,221,290	626,079	0	4,847,369
Machinery and Equipment	491,685	107,855	0	599,540
Total Cost	<u>\$23,575,136</u>	<u>\$733,934</u>	<u>\$0</u>	<u>\$24,309,070</u>

Accumulated Depreciation:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings and Improvements	(\$1,277,269)	(\$69,180)	\$0	(\$1,346,449)
Utility Structures in Service	(5,651,664)	(298,429)	0	(5,950,093)
Infrastructure	(1,601,194)	(77,515)	0	(1,678,709)
Machinery and Equipment	(254,557)	(73,711)	0	(328,268)
Total Depreciation	<u>(\$8,784,684)</u>	<u>(\$518,835)</u>	<u>\$0</u>	<u>(\$9,303,519)</u>

<i>Net Value:</i>	<u>\$14,790,452</u>			<u>\$15,005,551</u>
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CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System ("OPERS")

The following information was provided by OPERS 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 one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$198,879, \$196,534 and \$305,086, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2011 were \$19,947 made by the City and \$14,248 made by the plan members.

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

All City full-time police officers participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$160,260, \$155,946 and \$164,634 for police which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$79,551, \$112,042 and \$220,601, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% of covered payroll for police. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund ("OP&F") (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$84,843, \$82,560 and \$87,159 for police which were equal to the required contributions for each year.

NOTE 11 – 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 two hours of unused sick leave. A retiring employee's payout may not exceed 1,248 hours of unused sick leave. 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 Long-Term Obligations on the Entity Wide Statement of Net Assets. The amount decreased from a beginning year balance of \$780,649 to a year-end balance of \$514,544.

At December 31, 2011 the total accumulated unpaid sick leave time recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	14,812	\$360,879
Vacation/Compensatory	4,994	153,665
Total	<u>19,806</u>	<u>\$514,544</u>

Compensated absences attributable to the Enterprise Funds of \$93,976 have been recorded within the Enterprise Funds and are not included in the above figures.

CITY OF LOVELAND, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. 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 that would have been required if the bonds had been issued at the expiration of the initial five year period.

	Issue Date	Balance January 1, 2011	Issued	(Retired)	Balance December 31, 2011
Capital Projects Notes Payable:					
1.75% Recreation Land Acquisition	02/23/10	\$250,000	\$0	(\$250,000)	\$0
2.75% Recreation Land Acquisition	02/17/11	0	690,000	0	690,000
1.75% Downtown Revitalization	02/23/10	1,015,000	0	(1,015,000)	0
1.75% Downtown Revitalization	02/23/10	400,000	0	(400,000)	0
1.75% General Fund Reimbursement	02/23/10	625,000	0	(625,000)	0
Total Capital Project Notes Payable		\$2,290,000	\$690,000	(\$2,290,000)	\$690,000

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CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term obligations of the City at December 31, 2011 were as follows:

		Balance December 31, 2010	Issued	(Retired)	Balance December 31, 2011	Amount Due Within One Year
Business-Type Activities:						
General Obligation Bonds:						
2003 Stormwater System	3.00%	\$745,000	\$0	(\$45,000)	\$700,000	\$45,000
2005 Stormwater System	4.48%	205,000	0	(10,000)	195,000	10,000
2007 Stormwater System	4.25%	255,000	0	(10,000)	245,000	10,000
2009 Water Refunding Bonds	1.00%	1,050,000	0	(120,000)	930,000	125,000
Premium on Debt Refunding		14,509	0	(1,814)	12,695	0
Deferred Loss on Refunding		(9,716)	0	1,214	(8,502)	0
2009 Stormwater Dump Truck	1.00%	15,200	0	(4,000)	11,200	4,000
2009 Sewer Dump Truck	1.00%	15,200	0	(4,000)	11,200	4,000
2009 Sanitation Dump Truck	1.00%	32,300	0	(8,500)	23,800	8,500
Total General Obligation Bonds		<u>2,322,493</u>	<u>0</u>	<u>(202,100)</u>	<u>2,120,393</u>	<u>206,500</u>
Ohio Public Works Commission Loans:						
2011 Waterline Replacement	0.00%	0	467,600	0	467,600	23,380
2011 Bellwood Storm Drainage	0.00%	0	292,247	0	292,247	14,612
Total Ohio Public Works Commission Loans		<u>0</u>	<u>759,847</u>	<u>0</u>	<u>759,847</u>	<u>37,992</u>
Other Long-Term Obligations:						
Compensated Absences		172,841	93,976	(172,841)	93,976	18,705
Capital Leases		18,005	0	(5,291)	12,714	5,508
Total Other Long-Term Obligations		<u>190,846</u>	<u>93,976</u>	<u>(178,132)</u>	<u>106,690</u>	<u>24,213</u>
Total Business-Type Activities		<u>\$2,513,339</u>	<u>\$853,823</u>	<u>(\$380,232)</u>	<u>\$2,986,930</u>	<u>\$268,705</u>
Governmental Activities:						
General Obligation Bonds:						
2002 Various Purpose Bonds	3.25%	\$770,000	\$0	(\$50,000)	\$720,000	\$50,000
2003 City Hall-HVAC System	3.00%	30,000	0	(10,000)	20,000	10,000
2003 Fire Truck Acquisition	3.00%	225,000	0	(70,000)	155,000	75,000
2005 Various Purpose Refunding Bonds	4.25%	1,205,000	0	(150,000)	1,055,000	160,000
2005 Deferred Loss on Refunding		(38,635)	0	5,519	(33,116)	0
2005 North End T.I.F.	4.16%	290,000	0	(70,000)	220,000	70,000
2007 Christman Park Land T.I.F.	4.13%	600,000	0	(25,000)	575,000	25,000
2007 P.W. Buildings	4.13%	335,000	0	(40,000)	295,000	45,000
2009 Street Dump Truck	1.00%	32,300	0	(8,500)	23,800	8,500
2009 Lever Park	1.00%	120,000	0	(30,000)	90,000	30,000
2011 HVAC	2-4.6%	0	300,000	0	300,000	10,000
2011 Parking and Municipal Real Estate	2-4.6%	0	1,400,000	0	1,400,000	50,000
Total General Obligation Bonds		<u>3,568,665</u>	<u>1,700,000</u>	<u>(447,981)</u>	<u>4,820,684</u>	<u>533,500</u>
Ohio Public Works Commission Loans:						
1993 Hanna Avenue Waterline	0.00%	22,991	0	(11,495)	11,496	11,496
1994 East Loveland Avenue	3.00%	80,574	0	(19,253)	61,321	19,835
1994 West Booster	3.00%	57,903	0	(15,933)	41,970	16,414
1995 Lever Water Tower	3.00%	223,835	0	(34,584)	189,251	35,629
1996 Maderia Road Waterline	0.00%	168,892	0	(28,149)	140,743	28,149
1999 State Route 48 North	3.00%	109,631	0	(13,689)	95,942	13,693
2002 West Loveland Waterline	0.00%	172,500	0	(15,000)	157,500	15,000
2003 West Loveland Avenue	0.00%	225,038	0	(16,670)	208,368	16,670
2004 Elyision Extension	0.00%	333,695	0	(19,132)	314,563	19,132
2005 Walker Extension	0.00%	277,423	0	(23,836)	253,587	23,836
2007 Downtown Water Line	0.00%	413,953	0	(24,350)	389,603	24,350
2008 Broadway and Hanna	0.00%	173,181	0	(9,621)	163,560	9,621
Total Ohio Public Works Commission Loans		<u>2,259,616</u>	<u>0</u>	<u>(231,712)</u>	<u>2,027,904</u>	<u>233,825</u>
Other Long-Term Obligations:						
Compensated Absences		780,649	514,544	(780,649)	514,544	153,665
Police and Firemen's Pension Accrued Liability		32,588	0	(778)	31,810	812
Total Other Long-Term Obligations		<u>813,237</u>	<u>514,544</u>	<u>(781,427)</u>	<u>546,354</u>	<u>154,477</u>
Total Governmental Activities		<u>\$6,641,518</u>	<u>\$2,214,544</u>	<u>(\$1,461,120)</u>	<u>\$7,394,942</u>	<u>\$921,802</u>

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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, 2011 was \$50,650 in principal and interest payments through the year 2035. Only the principal amount due of \$31,810 is included in the Governmental Activities.

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, 2011, follows:

Years	General Obligation Bonds		OPWC Loans		Police Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$740,000	\$273,379	\$271,817	\$8,272	\$812	\$1,343
2013	765,000	248,990	262,494	6,094	847	1,308
2014	695,000	223,394	255,962	3,852	883	1,271
2015	600,000	198,795	227,411	2,100	922	1,234
2016	615,000	176,345	228,591	918	961	1,194
2017-2021	1,900,000	579,965	760,284	15	5,461	5,314
2022-2026	1,030,000	259,461	547,635	0	6,936	4,038
2027-2031	625,000	80,777	233,557	0	8,128	2,459
2032-2035	0	0	0	0	6,860	679
Totals	<u>\$6,970,000</u>	<u>\$2,041,106</u>	<u>\$2,787,751</u>	<u>\$21,251</u>	<u>\$31,810</u>	<u>\$18,840</u>

C. Defeasance of General Obligation Debt

In May of 2005 The City issued \$1,715,000 of Various Purpose Refunding General Obligation Bonds to defease the \$1,586,079 of General Obligation Bonds for Various Purposes dated October 1, 1997.

The net proceeds of the 2005 Various Purpose Refunding General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$1,025,000 at December 31, 2011, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 14 - CAPITAL LEASE COMMITMENTS

The City leases a wood chipper for the sanitation department. The cost of the leased assets and the related liability are accounted for in the Business-type funds capital assets and long-term debt accounts. The original cost of the asset under capital lease is \$27,570.

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, 2011:

<u>Year Ending December 31,</u>	<u>Business-Type Capital Leases</u>
2012	5,941
2013	5,941
2014	1,485
Minimum Lease Payments	13,367
Less: Amount representing interest at the City's incremental borrowing rate of interest	(653)
Present value of minimum lease payments	<u>\$12,714</u>

NOTE 15 - 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.

Prior to 2009, the City belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 15 - INSURANCE AND RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available.)

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 15 - INSURANCE AND RISK MANAGEMENT (Continued)

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.

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.

NOTE 16 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits of \$210,511 in the Recreation Land TIF Fund and \$22,050 in the Reserves of Loveland TIF Fund (capital projects funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required, not when accruals occur.

Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures should not be in excess of appropriations. For 2011, four funds of the City had budgetary expenditures that were in excess of appropriated amounts.

Ohio Revised Code Section 5705.39 requires that appropriations should not be in excess of estimated resources. For 2011, four funds of the City had appropriations in excess of estimated resources.

Ohio Revised Code Section 5705.36(A)(4) requires the City to obtain an amended certificate of estimated resources when actual resources available are known to be less than estimated amounts, and the deficiency will reduce estimated resources below appropriated amounts. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources. For 2011, eleven funds of the City had actual resources below estimated amounts and the deficiency resulted in appropriated amounts to exceed actual resources available.

Ohio Revised Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated. During 2011, expenditures were incurred without containing the appropriate certification.

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.

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

Prepared by:
Director of Finance

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TABLE OF CONTENTS

I FINANCIAL SECTION

A Independent Auditors' Report.....1

B Management's Discussion and Analysis3

C Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Assets.....13

 Statement of Activities14

 Fund Financial Statements:

Governmental Funds:

 Balance Sheet16

 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities18

 Statement of Revenues, Expenditures and Changes in Fund Balances20

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities22

 Statement of Revenues, Expenditures and Changes in Fund Balance –
 Budget and Actual (Non-GAAP Budgetary Basis):

 General Fund23

 Paramedic Fund24

 Fire Protection Fund25

Proprietary Funds:

 Statement of Net Assets26

 Statement of Revenues, Expenses and Changes in Fund Net Assets28

 Statement of Cash Flows30

Fiduciary Funds:

 Statement of Assets and Liabilities.....34

Notes to the Basic Financial Statements.....35

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Loveland, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loveland, Ohio as of and for the year ended December 31, 2010, which collectively comprise the City of Loveland, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Loveland, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loveland, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Paramedic Fund and Fire Protection Fund 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 September 17, 2012, on our consideration of the City of Loveland, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Cincinnati, Ohio
September 17, 2012

CITY OF LOVELAND, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

The discussion and analysis of the City of Loveland's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- ❑ In total, net assets decreased \$216,543. Net assets of governmental activities increased \$489,009, which represents a 3% increase from 2009. Net assets of business-type activities decreased \$705,552 from 2009.
- ❑ General revenues accounted for \$8,432,285 in revenue or 50.2% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,349,890 or 49.8% of all revenues.
- ❑ The City had \$10,753,756 in expenses related to governmental activities; only \$2,519,779 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8,432,285 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis*, and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF LOVELAND, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2010*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's programs and services are reported here including police protection, parks and recreation, planning, zoning, street maintenance and other governmental services.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's refuse collection, water, wastewater treatment, and stormwater services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

CITY OF LOVELAND, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2010 and 2009:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2010	2009	2010	2009	2010	2009
Current and other assets	\$10,078,566	\$10,222,198	\$1,726,537	\$3,686,860	\$11,805,103	\$13,909,058
Capital assets, Net	21,455,602	21,953,726	14,790,452	15,286,746	36,246,054	37,240,472
Total assets	31,534,168	32,175,924	16,516,989	18,973,606	48,051,157	51,149,530
Long-term debt outstanding	6,641,518	7,384,977	2,513,339	2,881,351	9,154,857	10,266,328
Other liabilities	5,344,329	5,731,635	122,323	1,505,376	5,466,652	7,237,011
Total liabilities	11,985,847	13,116,612	2,635,662	4,386,727	14,621,509	17,503,339
Net assets						
Invested in capital assets, net of related debt	13,337,321	13,217,802	12,477,954	12,778,863	25,815,275	25,996,665
Restricted	4,083,734	3,906,402	0	0	4,083,734	3,906,402
Unrestricted	2,127,266	1,935,108	1,403,373	1,808,016	3,530,639	3,743,124
Total net assets	\$19,548,321	\$19,059,312	\$13,881,327	\$14,586,879	\$33,429,648	\$33,646,191

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CITY OF LOVELAND, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for fiscal year 2010 and 2009:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$997,860	\$874,569	\$5,797,289	\$5,010,160	\$6,795,149	5,884,729
Operating Grants and Contributions	573,445	864,967	32,822	539,008	606,267	1,403,975
Capital Grants and Contributions	948,474	286,503	0	0	948,474	286,503
Total Program Revenues	2,519,779	2,026,039	5,830,111	5,549,168	8,349,890	7,575,207
General Revenues:						
Property Taxes	3,348,829	3,205,528	0	0	3,348,829	3,205,528
Income Taxes	3,575,815	3,102,429	0	0	3,575,815	3,102,429
Grants and Entitlements not Restricted to Specific Programs	1,009,369	1,506,295	0	0	1,009,369	1,506,295
Investment Earnings	60,479	166,647	0	33,576	60,479	200,223
Miscellaneous	437,793	794,417	0	0	437,793	794,417
Total General Revenue	8,432,285	8,775,316	0	33,576	8,432,285	8,808,892
Total Revenues	10,952,064	10,801,355	5,830,111	5,582,744	16,782,175	16,384,099
Program Expenses						
Security of Persons and Property	5,337,088	5,029,548	0	0	5,337,088	5,029,548
Leisure Time Activities	944,693	535,168	0	0	944,693	535,168
Community Environment	236,337	209,411	0	0	236,337	209,411
Transportation	1,334,262	1,104,950	0	0	1,334,262	1,104,950
General Government	2,709,148	2,949,630	0	0	2,709,148	2,949,630
Debt Service:						
Interest and Fiscal Charges	192,228	191,634	0	0	192,228	191,634
Water	0	0	1,546,890	1,539,006	1,546,890	1,539,006
Sewer	0	0	3,065,893	2,488,670	3,065,893	2,488,670
Stormwater	0	0	444,412	506,995	444,412	506,995
Sanitation	0	0	1,187,767	1,129,758	1,187,767	1,129,758
Total expenses	10,753,756	10,020,341	6,244,962	5,664,429	16,998,718	15,684,770
Excess (Deficiency) before Transfers	198,308	781,014	(414,851)	(81,685)	(216,543)	699,329
Transfers	290,701	184,783	(290,701)	(184,783)	0	0
Total Change in Net Assets	489,009	965,797	(705,552)	(266,468)	(216,543)	699,329
Beginning Net Assets	19,059,312	18,093,515	14,586,879	14,853,347	33,646,191	32,946,862
Ending Net Assets	\$19,548,321	\$19,059,312	\$13,881,327	\$14,586,879	\$33,429,648	\$33,646,191

Governmental Activities

The net assets of the City's governmental activities increased \$489,009 in 2010. Grants received for development of the Historic Loveland District resulted in the increase in capital grants and contributions. A decrease in estate taxes resulted in the decrease in unrestricted intergovernmental revenues. A decrease in salaries and related costs resulted in a decrease in general government expense.

CITY OF LOVELAND, OHIO

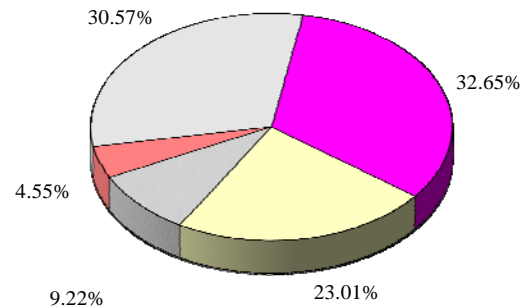
**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

The City receives an income tax, which is based on 1.00% of all salaries, wages, commissions and other compensation and on net profits earned from businesses and residents living within the City.

Property taxes and income taxes made up 31% and 33% respectively of revenues for governmental activities for the City in fiscal year 2010. The City's reliance upon tax revenues is demonstrated by the following graph indicating 63% of total revenues from general tax revenues:

Revenue Sources	2010	Percent of Total
Property Taxes	\$3,348,829	30.57%
Income Taxes	3,575,815	32.65%
Program Revenues	2,519,779	23.01%
Grants and Entitlements not Restricted to Specific Programs	1,009,369	9.22%
General Other	498,272	4.55%
Total Revenue	<u>\$10,952,064</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities decreased 5% or \$705,552. User rates were increased in the water, sewer and sanitation departments, resulting in an increase in charges for services in 2010. Expenses, however, continued to outpace revenues in the business type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$4,020,170, which is an increase from last year's balance of \$3,691,834. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 and 2009:

	Fund Balance (Deficit) December 31, 2010	Fund Balance (Deficit) December 31, 2009	Increase (Decrease)
General	\$2,618,071	\$2,026,488	\$591,583
Paramedic	433,050	300,167	132,883
Fire Protection	115,801	78,903	36,898
Special Projects	868,768	1,213,379	(344,611)
Historic Loveland TIF	(112,158)	(84,739)	(27,419)
Other Governmental	96,638	157,636	(60,998)
Total	<u>\$4,020,170</u>	<u>\$3,691,834</u>	<u>\$328,336</u>

CITY OF LOVELAND, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

General Fund – The City's General Fund balance change is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2010 <u>Revenues</u>	2009 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$1,013,205	\$951,761	\$61,444
Municipal Income Tax	3,483,522	3,104,703	378,819
Intergovernmental Revenues	821,482	1,372,701	(551,219)
Charges for Services	668,500	619,337	49,163
Licenses and Permits	81,992	57,371	24,621
Fines and Forfeitures	133,548	117,867	15,681
All Other Revenue	101,658	89,950	11,708
Total	<u>\$6,303,907</u>	<u>\$6,313,690</u>	<u>(\$9,783)</u>

General Fund revenues remained stable when compared with the prior year. A decrease in estate taxes resulted in the decrease in intergovernmental revenues. This was offset by an increase in income tax receipts.

	2010 <u>Expenditures</u>	2009 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$2,524,593	\$2,459,368	\$65,225
Leisure Time Activities	607,256	415,471	191,785
Community Environment	236,337	209,411	26,926
General Government	2,175,372	2,492,968	(317,596)
Total	<u>\$5,543,558</u>	<u>\$5,577,218</u>	<u>(\$33,660)</u>

General Fund expenditures decreased \$33,660 from the prior year. A decrease in salaries and related costs resulted in the decrease in general government while the increase in leisure time activities can be attributed to the purchase of playground equipment.

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

During the course of fiscal year 2010 the City amended its General Fund budget several times, none significant.

For the General Fund, original revenue estimates, final revenue estimates and actual budget basis revenues were not materially different. Actual budget basis expenditures were 15% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CITY OF LOVELAND, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2010*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010 the City had \$36,246,054 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$21,455,602 was related to governmental activities and \$14,790,452 to the business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$3,842,681	\$3,842,681	\$0
Buildings	7,490,975	7,286,185	204,790
Improvements Other than Buildings	1,475,452	1,475,452	0
Machinery and Equipment	4,261,960	4,747,183	(485,223)
Infrastructure	19,403,088	19,403,088	0
Less: Accumulated Depreciation	<u>(15,018,554)</u>	<u>(14,800,863)</u>	<u>(217,691)</u>
Totals	<u>\$21,455,602</u>	<u>\$21,953,726</u>	<u>(\$498,124)</u>

	Business-Type Activities		Increase (Decrease)
	2010	2009	
Land	\$721,263	\$721,263	\$0
Buildings & Improvements	2,614,345	2,607,324	7,021
Utility Structures in Service	15,526,553	15,526,553	0
Infrastructure	4,221,290	4,221,290	0
Machinery and Equipment	491,685	491,685	0
Less: Accumulated Depreciation	<u>(8,784,684)</u>	<u>(8,281,369)</u>	<u>(503,315)</u>
Totals	<u>\$14,790,452</u>	<u>\$15,286,746</u>	<u>(\$496,294)</u>

The primary changes in governmental activities occurred in buildings and machinery and equipment. Heating and air conditioning upgrades at City Hall resulted in an increase in buildings. The purchase of vehicles in the police and street departments were offset by the disposal of several pieces of equipment, including a pumper truck. For additional information on the City's capital assets see Note 6.

CITY OF LOVELAND, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

Debt

At December 31, 2010, the City had \$5,925,000 in bonds outstanding, \$655,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General Obligation Bonds	\$3,607,300	\$4,060,800
Deferred Loss on Refundings	(38,635)	(44,154)
Ohio Public Works Commission Loans	2,259,616	2,489,278
Compensated Absences	780,649	845,719
Police Pension Accrued Liability	32,588	33,334
Total Governmental Activities	<u>\$6,641,518</u>	<u>\$7,384,977</u>
Business-Type Activities:		
General Obligation Bonds	\$2,317,700	\$2,519,200
Premium on Refunding Bonds	14,509	16,323
Deferred Loss on Refundings	(9,716)	(10,930)
Capital Leases Payable	18,005	23,088
Compensated Absences	172,841	333,670
Total Business-Type Activities	<u>2,513,339</u>	<u>2,881,351</u>
Totals	<u>\$9,154,857</u>	<u>\$10,266,328</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. At December 31, 2010, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The City of Loveland has been experiencing the economic downturn along with the rest of the country and surrounding communities. While the impact has been less severe than some of our neighboring communities, the recession that gripped the nation and world has been felt here also. While we have not seen a drop off in income tax collections or loss of business, outside factors have begun to affect the City and its residents. Interest income from the City treasury has dropped off as the country has seen historically low rates of return on investments.

The reduction of the Local Government Fund and the proposed elimination of the estate tax revenue sharing will have a large detrimental effect on the City. These two sources of income, approximately \$600,000 in 2013 will have an effect on the services we are able to provide to our citizens. The City is currently exploring possible cuts in services or other revenue enhancements to soften the effect of these drastic cuts to the general fund.

The continued effects of rate increases due to the 1985 sewer agreement with Hamilton County and the Metropolitan Sewer District are forecasted to continue with double digit increases for many years to come. Loveland continues to have extremely low water rates for our residents through strong fiscally conservative policies and an abundant supply of water.

CITY OF LOVELAND, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

Citywide, companies have been experiencing growth, as some local companies are increasing their workforce in the face of the downturn. The Commerce Park has seen new tenants occupying the available space and London Computer Systems has added many new positions.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City of Loveland Finance Department, 120 West Loveland Ave., Loveland, Ohio 45140.

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CITY OF LOVELAND, OHIO

Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 498,324	\$ 266,176	\$ 764,500
Investments	2,065,922	1,319,507	3,385,429
Receivables:			
Taxes	3,629,946	0	3,629,946
Accounts	0	615,996	615,996
Intergovernmental	607,268	0	607,268
Interest	1,888	0	1,888
Special Assessments	72,650	0	72,650
Internal Balances	513,589	(513,589)	0
Inventory of Supplies at Cost	72,487	38,447	110,934
Land Held for Resale	2,519,341	0	2,519,341
Restricted Assets:			
Cash and Cash Equivalents	78,474	0	78,474
Cash and Cash Equivalents with Fiscal Agent	18,677	0	18,677
Capital Assets:			
Capital Assets Not Being Depreciated	3,842,681	721,263	4,563,944
Capital Assets Being Depreciated	17,612,921	14,069,189	31,682,110
Total Assets	<u>31,534,168</u>	<u>16,516,989</u>	<u>48,051,157</u>
Liabilities:			
Accounts Payable	64,277	87,247	151,524
Accrued Wages and Benefits	176,435	30,190	206,625
Matured Bonds & Interest Payable	18,677	0	18,677
Deferred Revenue	2,747,200	0	2,747,200
Accrued Interest Payable	47,740	4,886	52,626
General Obligation Notes Payable	2,290,000	0	2,290,000
Long Term Liabilities:			
Due Within One Year	795,630	231,526	1,027,156
Due in More Than One Year	5,845,888	2,281,813	8,127,701
Total Liabilities	<u>11,985,847</u>	<u>2,635,662</u>	<u>14,621,509</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	13,337,321	12,477,954	25,815,275
Restricted For:			
Capital Projects	2,962,346	0	2,962,346
Debt Service	24,815	0	24,815
Other Purposes	1,096,573	0	1,096,573
Unrestricted	2,127,266	1,403,373	3,530,639
Total Net Assets	<u>\$ 19,548,321</u>	<u>\$ 13,881,327</u>	<u>\$ 33,429,648</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Statement of Activities
For the Year Ended December 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 5,337,088	\$ 198,239	\$ 29,960	\$ 0
Leisure Time Activities	944,693	0	0	0
Community Environment	236,337	81,992	0	0
Transportation	1,334,262	13,692	543,485	928,476
General Government	2,709,148	703,937	0	19,998
Interest and Fiscal Charges	192,228	0	0	0
Total Governmental Activities	<u>10,753,756</u>	<u>997,860</u>	<u>573,445</u>	<u>948,474</u>
Business-Type Activities:				
Water	1,546,890	1,433,636	0	0
Sewer	3,065,893	2,882,618	0	0
Stormwater	444,412	402,697	0	0
Sanitation	1,187,767	1,078,338	32,822	0
Total Business-Type Activities	<u>6,244,962</u>	<u>5,797,289</u>	<u>32,822</u>	<u>0</u>
Totals	<u>\$ 16,998,718</u>	<u>\$ 6,795,149</u>	<u>\$ 606,267</u>	<u>\$ 948,474</u>

General Revenues

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,108,889)	\$ 0	\$ (5,108,889)
(944,693)	0	(944,693)
(154,345)	0	(154,345)
151,391	0	151,391
(1,985,213)	0	(1,985,213)
(192,228)	0	(192,228)
<u>(8,233,977)</u>	<u>0</u>	<u>(8,233,977)</u>
0	(113,254)	(113,254)
0	(183,275)	(183,275)
0	(41,715)	(41,715)
0	(76,607)	(76,607)
<u>0</u>	<u>(414,851)</u>	<u>(414,851)</u>
\$ (8,233,977)	\$ (414,851)	\$ (8,648,828)
3,348,829	0	3,348,829
3,575,815	0	3,575,815
1,009,369	0	1,009,369
60,479	0	60,479
437,793	0	437,793
290,701	(290,701)	0
<u>8,722,986</u>	<u>(290,701)</u>	<u>8,432,285</u>
489,009	(705,552)	(216,543)
<u>19,059,312</u>	<u>14,586,879</u>	<u>33,646,191</u>
\$ <u>19,548,321</u>	\$ <u>13,881,327</u>	\$ <u>33,429,648</u>

CITY OF LOVELAND, OHIO

**Balance Sheet
Governmental Funds
December 31, 2010**

	General Fund	Paramedic Fund	Fire Protection Fund	Special Projects Fund
Assets:				
Cash and Cash Equivalents	\$ 73,040	\$ 16,928	\$ 96,215	\$ 78,241
Investments	1,677,191	388,731	0	0
Receivables:				
Taxes	1,632,618	905,617	614,104	0
Intergovernmental	226,419	50,798	34,327	0
Interest	0	0	0	1,888
Special Assessments	0	0	0	72,650
Interfund Loans Receivables	393,589	0	0	125,000
Inventory of Supplies, at Cost	1,306	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	75,007
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Land Held for Resale	0	0	0	590,201
Total Assets	\$ 4,004,163	\$ 1,362,074	\$ 744,646	\$ 942,987
Liabilities:				
Accounts Payable	\$ 39,336	\$ 2,276	\$ 512	\$ 1,569
Accrued Wages and Benefits Payable	167,094	0	0	0
Matured Bonds and Interest Payable	0	0	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	1,179,662	926,748	628,333	72,650
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
Total Liabilities	1,386,092	929,024	628,845	74,219
Fund Balances:				
Reserved for Encumbrances	52,985	0	1,100	23,393
Reserved for Supplies Inventory	1,306	0	0	0
Reserved for Debt Service	0	0	0	0
Unreserved, Undesignated in:				
General Fund	2,563,780	0	0	0
Special Revenue Funds	0	433,050	114,701	0
Capital Projects Funds	0	0	0	845,375
Total Fund Balances	2,618,071	433,050	115,801	868,768
Total Liabilities and Fund Balances	\$ 4,004,163	\$ 1,362,074	\$ 744,646	\$ 942,987

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 28,924	\$ 204,976	\$ 498,324
0	0	2,065,922
0	477,607	3,629,946
0	295,724	607,268
0	0	1,888
0	0	72,650
0	0	518,589
0	71,181	72,487
0	3,467	78,474
0	18,677	18,677
1,929,140	0	2,519,341
<u>\$ 1,958,064</u>	<u>\$ 1,071,632</u>	<u>\$ 10,083,566</u>
\$ 0	\$ 20,584	\$ 64,277
0	9,341	176,435
0	18,677	18,677
0	5,000	5,000
0	667,688	3,475,081
30,222	3,704	33,926
<u>2,040,000</u>	<u>250,000</u>	<u>2,290,000</u>
<u>2,070,222</u>	<u>974,994</u>	<u>6,063,396</u>
0	0	77,478
0	71,181	72,487
0	38,629	38,629
0	0	2,563,780
0	143,742	691,493
<u>(112,158)</u>	<u>(156,914)</u>	<u>576,303</u>
<u>(112,158)</u>	<u>96,638</u>	<u>4,020,170</u>
<u>\$ 1,958,064</u>	<u>\$ 1,071,632</u>	<u>\$ 10,083,566</u>

CITY OF LOVELAND, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2010

Total Governmental Fund Balances	\$	4,020,170
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		21,455,602
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	61,211	
Income Taxes	138,372	
Intergovernmental Revenues	<u>528,298</u>	727,881
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(3,607,300)	
Deferred Loss on Debt Defeasance	38,635	
OPWC Public Works Commission Loans	(2,259,616)	
Compensated Absences Payable	(780,649)	
Police/Fire Accrued Pension Liability	(32,588)	
Accrued Interest Payable	<u>(13,814)</u>	<u>(6,655,332)</u>
<i>Net Assets of Governmental Activities</i>	\$	<u>19,548,321</u>

See accompanying notes to the basic financial statements

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CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010**

	General Fund	Paramedic Fund	Fire Protection Fund	Special Projects Fund
Revenues:				
Property Taxes	\$ 1,013,205	\$ 1,027,515	\$ 703,943	\$ 0
Municipal Income Tax	3,483,522	0	0	0
Intergovernmental Revenues	821,482	102,045	68,624	19,998
Charges for Services	668,500	60,000	0	0
Licenses and Permits	81,992	0	0	0
Investment Earnings	0	0	0	34,914
Special Assessments	0	0	0	35,437
Fines and Forfeitures	133,548	0	0	0
All Other Revenue	101,658	8,418	30,456	135,107
Total Revenue	6,303,907	1,197,978	803,023	225,456
Expenditures:				
Current:				
Security of Persons and Property	2,524,593	1,065,095	766,125	0
Leisure Time Activities	607,256	0	0	0
Community Environment	236,337	0	0	0
Transportation	0	0	0	0
General Government	2,175,372	0	0	93,128
Capital Outlay	0	0	0	476,939
Debt Service:				
Principal Retirement	0	0	0	0
Interest & Fiscal Charges	0	0	0	0
Total Expenditures	5,543,558	1,065,095	766,125	570,067
Excess (Deficiency) of Revenues Over Expenditures	760,349	132,883	36,898	(344,611)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	(169,529)	0	0	0
Total Other Financing Sources (Uses)	(169,529)	0	0	0
Net Change in Fund Balances	590,820	132,883	36,898	(344,611)
Fund Balances at Beginning of Year	2,026,488	300,167	78,903	1,213,379
Increase (Decrease) in Inventory Reserve	763	0	0	0
Fund Balances End of Year	\$ 2,618,071	\$ 433,050	\$ 115,801	\$ 868,768

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,151	\$ 708,653	\$ 3,457,467
0	0	3,483,522
447,865	1,140,630	2,600,644
0	0	728,500
0	13,692	95,684
13,123	12,960	60,997
0	0	35,437
0	4,691	138,239
<u>21,488</u>	<u>140,666</u>	<u>437,793</u>
<u>486,627</u>	<u>2,021,292</u>	<u>11,038,283</u>
0	397,989	4,753,802
0	0	607,256
0	0	236,337
0	686,513	686,513
0	288,527	2,557,027
490,051	402,912	1,369,902
0	683,162	683,162
<u>23,995</u>	<u>164,271</u>	<u>188,266</u>
<u>514,046</u>	<u>2,623,374</u>	<u>11,082,265</u>
(27,419)	(602,082)	(43,982)
0	90,866	90,866
0	840,449	840,449
<u>0</u>	<u>(380,219)</u>	<u>(549,748)</u>
<u>0</u>	<u>551,096</u>	<u>381,567</u>
(27,419)	(50,986)	337,585
(84,739)	157,636	3,691,834
<u>0</u>	<u>(10,012)</u>	<u>(9,249)</u>
<u>\$ (112,158)</u>	<u>\$ 96,638</u>	<u>\$ 4,020,170</u>

CITY OF LOVELAND, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2010***

Net Change in Fund Balances - Total Governmental Funds \$ 337,585

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	501,919	
Depreciation Expense	(951,081)	(449,162)

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (48,962)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in Property Tax Revenue	(108,638)	
Decrease in Income Tax Revenue	92,293	
Decrease in Intergovernmental Revenue	(69,356)	
Increase in Investment Income	(518)	
		(86,219)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	453,500	
Deferred Loss on Bond Refunding	(5,519)	
Ohio Public Works Commission Loans	229,662	
Police/Fire Accrued Pension Payment	746	
		678,389

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,557

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	65,070	
Change in Inventory	(9,249)	55,821

Change in Net Assets of Governmental Activities **\$ 489,009**

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 925,761	\$ 940,561	\$ 981,893	\$ 41,332
Municipal Income Tax	2,781,094	2,920,000	2,919,302	(698)
Intergovernmental Revenue	802,138	795,699	832,315	36,616
Charges for Services	630,222	661,700	668,500	6,800
Licenses and Permits	47,621	50,000	81,992	31,992
Fines and Forfeitures	137,150	144,000	141,982	(2,018)
All Other Revenues	48,860	51,300	101,658	50,358
Total Revenues	<u>5,372,846</u>	<u>5,563,260</u>	<u>5,727,642</u>	<u>164,382</u>
Expenditures:				
Current:				
Security of Persons and Property	2,036,877	3,350,638	2,576,474	774,164
Leisure Time Activities	436,825	718,572	614,148	104,424
Community Environment	168,228	276,733	237,247	39,486
General Government	2,930,446	2,274,433	2,168,732	105,701
Total Expenditures	<u>5,572,376</u>	<u>6,620,376</u>	<u>5,596,601</u>	<u>1,023,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(199,530)	(1,057,116)	131,041	1,188,157
Other Financing Sources (Uses):				
Transfers Out	(169,529)	(169,529)	(169,529)	0
Advances Out	(250,000)	(250,000)	(201,948)	48,052
Total Other Financing Sources (Uses):	<u>(419,529)</u>	<u>(419,529)</u>	<u>(371,477)</u>	<u>48,052</u>
Net Change in Fund Balance	(619,059)	(1,476,645)	(240,436)	1,236,209
Fund Balance at Beginning of Year	1,937,682	1,937,682	1,937,682	0
Fund Balance at End of Year	<u>\$ 1,318,623</u>	<u>\$ 461,037</u>	<u>\$ 1,697,246</u>	<u>\$ 1,236,209</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Paramedic Fund
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 969,000	\$ 997,848	\$ 997,848	\$ 0
Intergovernmental Revenue	108,000	102,045	102,045	0
Charges for Services	60,000	60,000	60,000	0
All Other Revenues	0	8,418	8,418	0
Total Revenues	1,137,000	1,168,311	1,168,311	0
Expenditures:				
Current:				
Security of Persons and Property	1,440,329	1,437,118	1,062,819	374,299
Total Expenditures	1,440,329	1,437,118	1,062,819	374,299
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,329)	(268,807)	105,492	374,299
Fund Balance at Beginning of Year	300,167	300,167	300,167	0
Fund Balance at End of Year	\$ (3,162)	\$ 31,360	\$ 405,659	\$ 374,299

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Protection Fund
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 667,000	\$ 683,845	\$ 683,845	\$ 0
Intergovernmental Revenue	73,000	68,624	68,624	0
All Other Revenues	<u>18,600</u>	<u>30,456</u>	<u>30,456</u>	<u>0</u>
Total Revenues	<u>758,600</u>	<u>782,925</u>	<u>782,925</u>	<u>0</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>843,989</u>	<u>837,434</u>	<u>766,713</u>	<u>70,721</u>
Total Expenditures	<u>843,989</u>	<u>837,434</u>	<u>766,713</u>	<u>70,721</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,389)	(54,509)	16,212	70,721
Fund Balance at Beginning of Year	<u>78,903</u>	<u>78,903</u>	<u>78,903</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (6,486)</u>	<u>\$ 24,394</u>	<u>\$ 95,115</u>	<u>\$ 70,721</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2010

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 111,423	\$ 38,112	\$ 92,657
Investments	906,393	413,114	0
Receivables:			
Accounts	159,824	303,035	40,407
Inventory of Supplies at Cost	37,797	0	250
Total Current Assets	1,215,437	754,261	133,314
<i>Non Current Assets:</i>			
Capital Assets:			
Capital Assets Not Being Depreciated	661,773	59,490	0
Capital Assets Being Depreciated	9,217,280	1,304,145	3,525,459
Total Assets	11,094,490	2,117,896	3,658,773
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	12,792	2,100	4,060
Accrued Wages and Benefits	15,217	1,404	6,013
Compensated Absences Payable - Current	8,011	3,021	6,189
Interfund Loans Payable	0	513,589	0
Accrued Interest Payable	834	12	3,970
Capital Leases Payable - Current	0	0	0
General Obligation Bonds - Current	120,000	4,000	69,000
Total Current Liabilities	156,854	524,126	89,232
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	43,546	6,339	22,299
Capital Leases Payable	0	0	0
General Obligation Bonds Payable	934,793	11,200	1,151,200
Total Liabilities	1,135,193	541,665	1,262,731
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,824,260	1,348,435	2,305,259
Unrestricted	1,135,037	227,796	90,783
Total Net Assets	\$ 9,959,297	\$ 1,576,231	\$ 2,396,042

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$ 23,984	\$ 266,176
0	1,319,507
112,730	615,996
400	38,447
<u>137,114</u>	<u>2,240,126</u>
0	721,263
<u>22,305</u>	<u>14,069,189</u>
<u>159,419</u>	<u>17,030,578</u>
68,295	87,247
7,556	30,190
6,914	24,135
0	513,589
70	4,886
5,291	5,291
<u>8,500</u>	<u>201,500</u>
96,626	866,838
76,522	148,706
12,714	12,714
<u>23,800</u>	<u>2,120,993</u>
<u>209,662</u>	<u>3,149,251</u>
0	12,477,954
<u>(50,243)</u>	<u>1,403,373</u>
<u>\$ (50,243)</u>	<u>\$ 13,881,327</u>

CITY OF LOVELAND, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
Operating Revenues:			
Charges for Services	\$ 1,421,086	\$ 2,881,519	\$ 397,006
Other Operating Revenue	12,550	1,099	5,691
Total Operating Revenues	<u>1,433,636</u>	<u>2,882,618</u>	<u>402,697</u>
Operating Expenses:			
Personal Services	345,606	27,587	87,788
Contractual Services	461,560	2,952,453	156,058
Materials and Supplies	176,709	22,168	21,200
Basic Utility Services	205,655	0	0
Depreciation	315,770	63,333	122,427
Total Operating Expenses	<u>1,505,300</u>	<u>3,065,541</u>	<u>387,473</u>
Operating Income (Loss)	(71,664)	(182,923)	15,224
Nonoperating Revenue (Expenses):			
Intergovernmental Grants	0	0	0
Interest Expense	(41,590)	(352)	(56,939)
Total Nonoperating Revenues (Expenses)	<u>(41,590)</u>	<u>(352)</u>	<u>(56,939)</u>
Loss Before Transfers	(113,254)	(183,275)	(41,715)
Transfers:			
Transfers Out	(236,750)	0	(48,384)
Total Transfers	<u>(236,750)</u>	<u>0</u>	<u>(48,384)</u>
Change in Net Assets	(350,004)	(183,275)	(90,099)
Net Assets Beginning of Year	10,309,301	1,759,506	2,486,141
Net Assets End of Year	<u>\$ 9,959,297</u>	<u>\$ 1,576,231</u>	<u>\$ 2,396,042</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$ 1,077,914	\$ 5,777,525
424	19,764
<u>1,078,338</u>	<u>5,797,289</u>
115,923	576,904
1,053,591	4,623,662
15,731	235,808
0	205,655
1,785	503,315
<u>1,187,030</u>	<u>6,145,344</u>
(108,692)	(348,055)
32,822	32,822
(737)	(99,618)
<u>32,085</u>	<u>(66,796)</u>
(76,607)	(414,851)
<u>(5,567)</u>	<u>(290,701)</u>
(5,567)	(290,701)
(82,174)	(705,552)
31,931	14,586,879
<u>\$ (50,243)</u>	<u>\$ 13,881,327</u>

CITY OF LOVELAND, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,406,752	\$2,876,442	\$405,959
Cash Payments for Goods and Services	(848,299)	(2,973,389)	(171,451)
Cash Payments to Employees	(414,927)	(58,163)	(132,164)
Net Cash Provided (Used) by Operating Activities	<u>143,526</u>	<u>(155,110)</u>	<u>102,344</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	0	0	0
Transfers Out to Other Funds	(236,750)	0	(48,384)
Advances In From Other Funds	0	200,000	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(236,750)</u>	<u>200,000</u>	<u>(48,384)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	0	0	(7,021)
Principal Paid on General Obligation Bonds	(125,000)	(4,000)	(64,000)
Cash Paid by Debt Refunding Escrow Agent	(1,395,495)	0	0
Principal Paid on Capital Leases	0	0	0
Interest Paid on All Debt	(41,388)	(340)	(57,116)
Net Cash Used for Capital and Related Financing Activities	<u>(1,561,883)</u>	<u>(4,340)</u>	<u>(128,137)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	0	(102,233)	0
Sale of Investments	147,414	0	137,629
Net Cash Provided (Used) by Investing Activities	<u>147,414</u>	<u>(102,233)</u>	<u>137,629</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,507,693)	(61,683)	63,452
Cash and Cash Equivalents at Beginning of Year	1,619,116	99,795	29,205
Cash and Cash Equivalents at End of Year	<u>\$111,423</u>	<u>\$38,112</u>	<u>\$92,657</u>

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
\$1,090,733	\$5,779,886
(1,057,457)	(5,050,596)
<u>(127,770)</u>	<u>(733,024)</u>
<u>(94,494)</u>	<u>(3,734)</u>
32,822	32,822
(5,567)	(290,701)
<u>0</u>	<u>200,000</u>
<u>27,255</u>	<u>(57,879)</u>
0	(7,021)
(8,500)	(201,500)
0	(1,395,495)
(5,083)	(5,083)
<u>(723)</u>	<u>(99,567)</u>
<u>(14,306)</u>	<u>(1,708,666)</u>
0	(102,233)
<u>87,056</u>	<u>372,099</u>
<u>87,056</u>	<u>269,866</u>
5,511	(1,500,413)
<u>18,473</u>	<u>1,766,589</u>
<u>\$23,984</u>	<u>\$266,176</u>

(Continued)

CITY OF LOVELAND, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Stormwater
<u>Reconciliation of Operating Income (Loss) to</u>			
<u>Net Cash Provided (Used) by Operating Activities:</u>			
Operating Loss	(\$71,664)	(\$182,923)	\$15,224
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	315,770	63,333	122,427
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(26,884)	(6,176)	3,262
(Increase) Decrease in Inventory	(524)	297	0
Decrease in Prepaid Items	3,628	505	1,747
Increase (Decrease) in Accounts Payable	(7,479)	430	4,060
Increase (Decrease) in Accrued Wages and Benefits	1,894	(405)	746
Increase (Decrease) in Compensated Absences	(71,215)	(30,171)	(45,122)
Total Adjustments	<u>215,190</u>	<u>27,813</u>	<u>87,120</u>
Net Cash Provided (Used) by Operating Activities	<u>\$143,526</u>	<u>(\$155,110)</u>	<u>\$102,344</u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

<u>Sanitation</u>	<u>Total</u>
(\$108,692)	(\$348,055)
1,785	503,315
12,395	(17,403)
35	(192)
1,759	7,639
10,071	7,082
2,474	4,709
<u>(14,321)</u>	<u>(160,829)</u>
<u>14,198</u>	<u>344,321</u>
<u>(\$94,494)</u>	<u>(\$3,734)</u>

CITY OF LOVELAND, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2010***

	<u>Agency</u>
Assets:	
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	\$ 16,555
Total Assets	<u> 16,555</u>
Liabilities:	
Due to Others	<u> 16,555</u>
Total Liabilities	<u><u> 16,555</u></u>

See accompanying notes to the basic financial statements

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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.

The accompanying basic 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, 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 CIC is responsible for research and 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.

B. Basis of Presentation - Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

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

General - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are municipal income taxes and shared tax revenues. Primary expenditures are for police protection, community environment and general government.

Paramedic - This fund is used to account for the City's paramedic services.

Fire Protection - This fund is used to account for the activities provided by the City's fire protection service.

Special Projects - This fund is used to account for the accumulation of resources for the City's various capital projects.

Historic Loveland TIF - This fund is used to account for the TIF monies being collected for the redevelopment of the Historic Loveland area.

Proprietary Funds - The proprietary funds are accounted for on an "economic resource" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Water - This fund is used to account for the operation of the City's water treatment and distribution systems.

Sewer - This fund is used to account for the operation of the City's sewage treatment and collection systems.

Stormwater - This fund is used to account for the operation of the City's stormwater system.

Sanitation - This fund is used to account for the operation of the City's refuse collection system.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary fund is an agency fund which accounts for the activity of the municipal court. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds.. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

Special assessments receivable, which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2010 but which are not intended to finance 2010 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

The accrual basis of accounting is utilized for reporting purposes by the government-wide statements, proprietary funds and the agency fund. Revenues are recognized when they are earned and expenses recognized when 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. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying basic 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.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a 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).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" for the General Fund and the Major Special Revenue Funds:

	Net Change in Fund Balance		
	General Fund	Paramedic Fund	Fire Protection Fund
GAAP Basis (as reported)	\$590,820	\$132,883	\$36,898
Increase (Decrease):			
Accrued Revenues at December 31, 2010 received during 2011	(1,072,964)	(29,667)	(20,098)
Accrued Revenues at December 31, 2009 received during 2010	316,699	0	0
Accrued Expenditures at December 31, 2010 paid during 2011	206,430	2,276	512
Accrued Expenditures at December 31, 2009 paid during 2010	(252,398)	0	0
2009 Prepays for 2010	23,962	0	0
Outstanding Encumbrances	(52,985)	0	(1,100)
Budget Basis	(\$240,436)	\$105,492	\$16,212

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasurer's Asset Reserve (STAR Ohio). STAR Ohio is considered a cash equivalent because it is a highly liquid investment with an original maturity date of three months or less.

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 maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled deposits and investments are considered to be cash equivalents. See Note 2 "Cash, Cash Equivalents and Investments."

G. 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 which are reported at cost, which approximates fair value. Fair value is determined by quoted market prices. See Note 2, "Cash, Cash Equivalents and Investments."

The City has invested funds in STAR Ohio during 2010. 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, 2010.

H. 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 funds when purchased and as expenses in the proprietary funds when used.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of three or more years.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined at December 31, 1987 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business-Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (Years)
Land Improvements	20
Buildings	25 – 50
Building Improvements	20 – 30
Infrastructure	10 – 20
Machinery, Equipment, Furniture, Fixtures and Vehicles	3 – 30

CITY OF LOVELAND, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Bond Retirement Fund Water Fund Sewer Fund Sanitation Fund Stormwater Fund
Ohio Public Works Commission Loans	General Bond Retirement Fund
Capital Leases	Sanitation Fund
Police/Fire Pension Accrued Liability	General Fund
Compensated Absences	General Fund Water Fund Sewer Fund Sanitation Fund Stormwater Fund

K. 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 to be 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 who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

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

L. Restricted Assets

Certain cash and cash equivalents are classified as restricted on the balance sheet because these funds are being held by a trustee, an agent or by the City for specified purposes.

M. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, entitlements and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

N. Pensions

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

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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 supplies inventory, debt service and encumbered amounts not accrued at year end.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, storm water collection and refuse collection. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2010.

T. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the City into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the 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).

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. 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. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$2,151,493 and the bank balance was \$2,170,262. Federal depository insurance covered \$2,103,147 of the bank balance and \$67,115 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	\$67,115
Total Balance	\$67,115

B. Investments

The City's investments at December 31, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
Repurchase Agreements	\$588,626	N/A	\$588,626	\$0
STAR Ohio	99,896	AAAm ¹	99,896	0
Money Market Fund	19,191	AAA ¹ /Aaa ²	19,191	0
FNMA	799,956	AAA ¹ /Aaa ²	296,676	503,280
FHLB	301,770	AAA ¹ /Aaa ²	301,770	0
FHLMC	302,703	AAA ¹ /Aaa ²	0	302,703
Total Investments	\$2,112,142		\$1,306,159	\$805,983

¹ Standard & Poor's

² Moody's Investor Service

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date, the City has no policy beyond that of Ohio Revised Code.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 67% are in Federal Securities, 28% is invested in a repurchase agreement, and the remaining 5% is in STAR Ohio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are 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.

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$878,206	\$3,385,429
Certificates of Deposit (with maturities of more than 3 months)	1,961,809	(1,961,809)
Repurchase Agreements	(588,626)	588,626
STAR Ohio	(99,896)	99,896
Per GASB Statement No. 3	<u>\$2,151,493</u>	<u>\$2,112,142</u>

* Includes Cash with Fiscal Agent

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 3 - 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 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009, 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 2008 for Clermont County, 2006 for Warren County, and 2005 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.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on values as of January 1, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost due to the phasing out of the tax. In years 2006-2009, the lost revenue was fully reimbursed. In years 2010-2018, the lost revenue will not be reimbursed.

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

The County 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.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 3 – TAXES (Continued)

A. Property Taxes (Continued)

The assessed values upon which the 2010 property tax receipts were based were as follows:

	County		
	Hamilton	Clermont	Warren
Real Property:			
Residential/Agricultural	\$225,165,270	\$53,234,660	\$24,062,550
Personal Property:			
Tangible Personal Property	335,370	200	3,520
Public Utility Personal Property	3,990,410	767,110	225,850
Total Assessed Value	<u>\$229,491,050</u>	<u>\$54,001,970</u>	<u>\$24,291,920</u>
Tax Rate/Assessed Value	\$10.35/\$1,000	\$9.9/\$1,000	\$10.07/\$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.

For 2010, all income tax proceeds were recorded in the General Fund. In prior years, income taxes were recorded in an Income Tax Fund and transferred to appropriate funds in accordance with City Ordinances.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2010 consisted of property and income taxes, accounts receivable, interest, special assessments, and intergovernmental receivables arising from shared revenues.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 5 – TRANSFERS AND INTERFUND ACTIVITY

A. Transfers

Following is a summary of transfers in and out for all funds for 2010:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$169,529
Nonmajor Governmental Funds	840,449	380,219
Total Governmental Funds	<u>840,449</u>	<u>549,748</u>
Enterprise Fund:		
Water	0	236,750
Stormwater	0	48,384
Sanitation	0	5,567
Total Enterprise Funds	<u>0</u>	<u>290,701</u>
Totals	<u><u>\$840,449</u></u>	<u><u>\$840,449</u></u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The General Fund, Nonmajor Governmental Funds, and Enterprise funds provided transfers to the debt service fund during the year to retire a portion of debt paid by governmental activities.

B. Interfund Activity

Interfund balances at December 31, 2010 consist of the following individual fund receivables and payables:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$393,589	\$0
Special Projects Fund	125,000	0
Nonmajor Governmental Funds	0	5,000
Total Governmental Funds	<u>518,589</u>	<u>5,000</u>
Enterprise Fund:		
Sewer Fund	0	513,589
Totals	<u><u>\$518,589</u></u>	<u><u>\$518,589</u></u>

The interfund loan balances result from the General Fund and Special Projects Fund advances of monies to the Sewer Fund and Street Maintenance Fund to assist the fund's cashflow.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 6 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$3,842,681	\$0	\$0	\$3,842,681
<i>Capital assets being depreciated:</i>				
Buildings	7,286,185	214,333	(9,543)	7,490,975
Improvements other than Buildings	1,475,452	0	0	1,475,452
Machinery and Equipment	4,747,183	287,586	(772,809)	4,261,960
Infrastructure	19,403,088	0	0	19,403,088
Total Cost	<u>\$36,754,589</u>	<u>\$501,919</u>	<u>(\$782,352)</u>	<u>\$36,474,156</u>

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(1,534,771)	(176,157)	26,663	(1,684,265)
Improvements other than Buildings	(1,052,771)	(36,861)	0	(1,089,632)
Machinery and Equipment	(3,060,106)	(396,556)	706,727	(2,749,935)
Infrastructure	(9,153,215)	(341,507)	0	(9,494,722)
Total Depreciation	<u>(\$14,800,863)</u>	<u>(\$951,081) *</u>	<u>\$733,390</u>	<u>(\$15,018,554)</u>
<i>Net Value:</i>	<u>\$21,953,726</u>			<u>\$21,455,602</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$351,041
Leisure Time Activities	120,448
Transportation	416,028
General Government	63,564
Total Depreciation Expense	<u>\$951,081</u>

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 6 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$721,263	\$0	\$0	\$721,263
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	2,607,324	7,021	0	2,614,345
Utility Structures in Service	15,526,553	0	0	15,526,553
Infrastructure	4,221,290	0	0	4,221,290
Machinery and Equipment	491,685	0	0	491,685
Total Cost	<u>\$23,568,115</u>	<u>\$7,021</u>	<u>\$0</u>	<u>\$23,575,136</u>

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings and Improvements	(\$1,208,089)	(\$69,180)	\$0	(\$1,277,269)
Utility Structures in Service	(5,353,729)	(297,935)	0	(5,651,664)
Infrastructure	(1,523,679)	(77,515)	0	(1,601,194)
Machinery and Equipment	(195,872)	(58,685)	0	(254,557)
Total Depreciation	<u>(\$8,281,369)</u>	<u>(\$503,315)</u>	<u>\$0</u>	<u>(\$8,784,684)</u>
<i>Net Value:</i>	<u>\$15,286,746</u>			<u>\$14,790,452</u>

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CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 7 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System ("OPERS")

The following information was provided by OPERS 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 one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$196,534, \$305,086 and \$163,042, respectively, which were equal to the required contributions for each year.

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

All City full-time police officers participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2010, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2010, 2009, and 2008 were \$155,946, \$164,634 and \$154,710 for police, which were equal to the required contributions for each year.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$112,042, \$220,601 and \$163,042, respectively, which were equal to the required contributions for each year.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% of covered payroll for police. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund ("OP&F") (Continued)

The City's contributions for health care to the OP&F for the years ending December 31, 2010, 2009, and 2008 were \$82,560, \$87,159 and \$81,905 for police, which were equal to the required contributions for each year.

NOTE 9 – 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 two hours of unused sick leave. A retiring employee's payout may not exceed 1,248 hours of unused sick leave. 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 Long-Term Obligations on the Entity Wide Statement of Net Assets. The amount decreased \$65,070 from a beginning year balance of \$845,719 to a year-end balance of \$780,649.

At December 31, 2010 the total accumulated unpaid sick leave time recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	21,285	\$665,490
Vacation	<u>3,570</u>	<u>115,159</u>
Total	<u><u>24,855</u></u>	<u><u>\$780,649</u></u>

Compensated absences attributable to the Enterprise Funds of \$172,841 have been recorded within the Enterprise Funds and are not included in the above figures.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 10 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. 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 that would have been required if the bonds had been issued at the expiration of the initial five year period.

	Issue Date	Balance January 1, 2010	Issued	(Retired)	Balance December 31, 2010
Capital Projects Notes Payable:					
2.25% Recreation Land Acquisition	02/24/09	\$250,000	\$0	(\$250,000)	\$0
1.75% Recreation Land Acquisition	02/23/10	0	250,000	0	250,000
2.25% Downtown Revitalization	02/24/09	955,000	0	(955,000)	0
2.25% Downtown Revitalization	02/24/09	400,000	0	(400,000)	0
2.25% General Fund Reimbursement	02/24/09	625,000	0	(625,000)	0
1.75% Downtown Revitalization	02/23/10	0	1,015,000	0	1,015,000
1.75% Downtown Revitalization	02/23/10	0	400,000	0	400,000
1.75% General Fund Reimbursement	02/23/10	0	625,000	0	625,000
Total Capital Project Notes Payable		<u>\$2,230,000</u>	<u>\$2,290,000</u>	<u>(\$2,230,000)</u>	<u>\$2,290,000</u>

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CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

Long-term obligations of the City at December 31, 2010 were as follows:

		Balance December 31, 2009	Issued	(Retired)	Balance December 31, 2010	Amount Due Within One Year
Business-Type Activities:						
General Obligation Bonds:						
2003 Stormwater System	3.00%	\$785,000	\$0	(\$40,000)	\$745,000	\$45,000
2005 Stormwater System	4.48%	215,000	0	(10,000)	205,000	10,000
2007 Stormwater System	4.25%	265,000	0	(10,000)	255,000	10,000
2009 Water Refunding Bonds	1.00%	1,175,000	0	(125,000)	1,050,000	120,000
Premium on Debt Refunding		16,323	0	(1,814)	14,509	1,814
Deferred Loss on Refunding		(10,930)	0	1,214	(9,716)	(1,214)
2009 Stormwater Dump Truck	1.00%	19,200	0	(4,000)	15,200	4,000
2009 Sewer Dump Truck	1.00%	19,200	0	(4,000)	15,200	4,000
2009 Sanitation Dump Truck	1.00%	40,800	0	(8,500)	32,300	8,500
Total General Obligation Bonds		<u>2,524,593</u>	<u>0</u>	<u>(202,100)</u>	<u>2,322,493</u>	<u>202,100</u>
Other Long-Term Obligations:						
Compensated Absences		333,670	172,841	(333,670)	172,841	24,135
Capital Leases		23,088	0	(5,083)	18,005	5,291
Total Other Long-Term Obligations		<u>356,758</u>	<u>172,841</u>	<u>(338,753)</u>	<u>190,846</u>	<u>29,426</u>
Total Business-Type Activities		<u>\$2,881,351</u>	<u>\$172,841</u>	<u>(\$540,853)</u>	<u>\$2,513,339</u>	<u>\$231,526</u>
Governmental Activities:						
General Obligation Bonds:						
2002 Various Purpose Bonds	3.25%	\$820,000	\$0	(\$50,000)	\$770,000	\$50,000
2003 City Hall-HVAC System	3.00%	40,000	0	(10,000)	30,000	10,000
2003 Fire Truck Acquisition	3.00%	295,000	0	(70,000)	225,000	70,000
2005 Various Purpose Refunding Bonds	4.25%	1,355,000	0	(150,000)	1,205,000	150,000
2005 Deferred Loss on Refunding		(44,154)	0	5,519	(38,635)	(5,519)
2005 North End T.I.F.	4.16%	360,000	0	(70,000)	290,000	70,000
2007 Christman Park Land T.I.F.	4.13%	625,000	0	(25,000)	600,000	25,000
2007 P.W. Buildings	4.13%	375,000	0	(40,000)	335,000	40,000
2009 Street Dump Truck	1.00%	40,800	0	(8,500)	32,300	8,500
2009 Lever Park	1.00%	150,000	0	(30,000)	120,000	30,000
Total General Obligation Bonds		<u>4,016,646</u>	<u>0</u>	<u>(447,981)</u>	<u>3,568,665</u>	<u>447,981</u>
Ohio Public Works Commission Loans:						
1993 Hanna Avenue Waterline	0.00%	34,486	0	(11,495)	22,991	11,495
1994 East Loveland Avenue	3.00%	99,263	0	(18,689)	80,574	19,253
1994 West Booster	3.00%	73,368	0	(15,465)	57,903	15,933
1995 Lever Water Tower	3.00%	257,405	0	(33,570)	223,835	34,584
1996 Maderia Road Waterline	0.00%	197,041	0	(28,149)	168,892	28,149
1999 State Route 48 North	3.00%	123,316	0	(13,685)	109,631	13,689
2002 West Loveland Waterline	0.00%	187,500	0	(15,000)	172,500	15,000
2003 West Loveland Avenue	0.00%	241,708	0	(16,670)	225,038	16,670
2004 Elyson Extension	0.00%	357,531	0	(23,836)	333,695	19,132
2005 Walker Extension	0.00%	296,555	0	(19,132)	277,423	23,836
2007 Downtown Water Line	0.00%	438,303	0	(24,350)	413,953	24,350
2008 Broadway and Hanna	0.00%	182,802	0	(9,621)	173,181	9,621
Total Ohio Public Works Commission Loans		<u>2,489,278</u>	<u>0</u>	<u>(229,662)</u>	<u>2,259,616</u>	<u>231,712</u>
Other Long-Term Obligations:						
Compensated Absences		845,719	780,649	(845,719)	780,649	115,159
Police and Firemen's Pension Accrued Liability		33,334	0	(746)	32,588	778
Total Other Long-Term Obligations		<u>879,053</u>	<u>780,649</u>	<u>(846,465)</u>	<u>813,237</u>	<u>115,937</u>
Total Governmental Activities		<u>\$7,384,977</u>	<u>\$780,649</u>	<u>(\$1,524,108)</u>	<u>\$6,641,518</u>	<u>\$795,630</u>

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

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, 2010 was \$52,804 in principal and interest payments through the year 2035. Only the principal amount due of \$32,588 is included in the Governmental Activities.

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, 2010, follows:

Years	General Obligation Bonds		OPWC Loans		Police Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$655,000	\$231,992	\$231,712	\$10,384	\$778	\$1,376
2012	680,000	210,065	233,820	8,272	812	1,343
2013	700,000	186,876	224,502	6,094	847	1,308
2014	630,000	162,580	217,970	3,852	883	1,271
2015	535,000	203,381	189,419	2,100	922	1,234
2016-2020	1,855,000	360,804	659,493	933	5,236	5,539
2021-2025	735,000	104,051	425,131	0	6,719	4,315
2026-2030	135,000	8,714	77,569	0	7,726	2,802
2031-2035	0	0	0	0	8,665	1,028
Totals	<u>\$5,925,000</u>	<u>\$1,468,463</u>	<u>\$2,259,616</u>	<u>\$31,635</u>	<u>\$32,588</u>	<u>\$20,216</u>

C. Defeasance of General Obligation Debt

In May of 2005 The City issued \$1,715,000 of Various Purpose Refunding General Obligation Bonds to defease the \$1,586,079 of General Obligation Bonds for Various Purposes dated October 1, 1997.

The net proceeds of the 2005 Various Purpose Refunding General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$1,165,000 at December 31, 2010, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 12 - CAPITAL LEASE COMMITMENTS

The City leases a wood chipper for the sanitation department. The cost of the leased assets and the related liability are accounted for in the Business-type funds capital assets and long-term debt accounts. The original cost of the asset under capital lease is \$27,570.

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, 2010:

<u>Year Ending December 31,</u>	<u>Business-Type Capital Leases</u>
2011	\$5,941
2012	5,941
2013	5,941
2014	<u>1,485</u>
Minimum Lease Payments	19,308
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(1,303)</u>
Present value of minimum lease payments	<u><u>\$18,005</u></u>

NOTE 13 - 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.

Prior to 2009, the City belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

CITY OF LOVELAND, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available.)

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

CITY OF LOVELAND, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

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.

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.

NOTE 14 - COMPLIANCE AND ACCOUNTABILITY

The fund deficit at December 31, 2010 of \$6,087 in the State Highway Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required, not when accruals occur.

The fund deficits of \$156,914 in the Recreation Land TIF Fund and \$112,158 in the Historic Loveland TIF Fund (capital projects funds) are due to the recording of general obligation notes payable in the individual fund balance sheets.

Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures should not be in excess of appropriations. For 2010, three funds of the City had budgetary expenditures that were in excess of appropriated amounts.

Ohio Revised Code Section 5705.39 requires that appropriations should not be in excess of estimated resources. For 2010, six funds of the City had appropriations in excess of estimated resources.

Ohio Revised Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated. During 2010, expenditures were incurred without containing the appropriate certification.

NOTE 15 - 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.

Bastin & Company, LLC

Certified Public Accountants

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

To The Members of City Council
City of Loveland, Ohio

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loveland, Ohio, (the City), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the City's basic financial statements, and have issued our reports thereon dated September 17, 2012 wherein we noted the City implemented Governmental Accounting Standard Board Statement No. 54 for the year ended December 31, 2011. 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2011-01 through 2011-04.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, express no opinion on them.

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

Bastin & Company, LLC

Cincinnati, Ohio
September 17, 2012

**CITY OF LOVELAND
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-01

Noncompliance

Ohio Revised Code, Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The following funds had expenditures that exceeded appropriations:

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<i>2011:</i>			
State Highway	\$34,000	\$39,900	(\$5,900)
Loveland Road Improvement	-	110,189	(110,189)
Historic Loveland TIF	2,159,573	2,184,681	(25,108)
Sanitation & Environment	1,127,200	1,129,991	(2,791)
<i>2010:</i>			
Street Maintenance	527,833	536,814	(8,981)
State Issue #2 Infrastructure	467,600	480,611	(13,011)
Sewer Capital Improvement	2,536,000	2,564,758	(28,758)

City's Response

The City experienced turnover in the finance department during 2010 and 2011 and as a result did not appropriately modify appropriations as needed. The City will more closely monitor appropriations in the future.

FINDING NUMBER 2011-02

Noncompliance

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources:

<u>Year/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2011:</i>			
State Highway	\$32,203	\$34,000	(\$1,797)
Hamilton County MVR	28,492	31,000	(2,508)
Warren County MVR	873	3,800	(2,927)
FEMA Reimbursement	-	110,000	(110,000)
<i>2010:</i>			
Special Projects	680,581	915,226	(234,645)
State Issue #2 Infrastructure	426,799	467,600	(40,801)
General Bond Fund	1,147,155	1,170,000	(22,845)
Historic Loveland TIF	2,496,408	2,505,524	(9,116)
Water Capital Improvement	1,824,803	1,840,138	(15,335)
Sanitation & Environment	1,225,487	1,231,550	(6,063)

City's Response

The City experienced turnover in the finance department during 2010 and 2011 and as a result did not appropriately modify estimated resources and appropriations as needed. The City will more closely monitor these items in the future.

FINDING NUMBER 2011-03

Noncompliance

Ohio Revised Code Section 5705.36(A)(4) requires that when revenue that is expected to be collected will be less than the amount included in an official certificate of estimated resources, and the amount of the deficiency will reduce actual available resources below the level of current appropriations, an amended certificate of estimated resources should be obtained.

By reducing estimated resources, amounts appropriated will also be required to be reduced in order to limit expenditures and avoid spending resources that are not available.

Appropriations exceeded actual resources available in the following funds which reflect noncompliance with the Ohio Revised Code requirements:

<u>Year/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2011:</i>			
Paramedic	\$1,366,586	\$1,407,209	(\$40,623)
Fire and EMS	557,746	575,393	(17,647)
Fire Protection	739,574	766,421	(26,847)
Drug/DUI Enforcement/Ed	9,076	9,770	(694)
Loveland CIC Account	3,467	3,917	(450)
Street Maintenance	506,012	527,833	(21,821)
FEMA Reimbursement	-	110,000	(110,000)
Special Projects	544,721	550,473	(5,752)
State Issue #2 Infrastructure	-	781,200	(781,200)
Recreation Land TIF	307,788	385,833	(78,045)
Reserves of Loveland TIF	105,040	107,800	(2,760)

City's Response

The City experienced turnover in the finance department during 2010 and 2011 and as a result did not appropriately modify estimated resources and appropriations as needed. The City will more closely monitor these items in the future.

FINDING NUMBER 2011-04

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving

the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.
2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment for 100% and 35% of expenditures tested in 2010 and 2011, respectively, nor did the City use the aforementioned exceptions. We recommend that the fiscal officer certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

City’s Response

The City has reviewed the procedures in place and is taking steps to ensure that appropriate certifications are performed in the future including the purchase of new software that uses a purchase order-based system in 2011.

**CITY OF LOVELAND
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

There were no findings reported for the years ended December 31, 2009 and 2008.



Dave Yost • Auditor of State

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
JANUARY 24, 2013**