

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2009**

*Prepared by:*  
**Harry Steger**  
**Director of Finance**





# Dave Yost • Auditor of State

City Council  
City of Loveland  
120 Loveland Ave.  
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, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 12, 2011

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, 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.

During 2009, the General Fund absorbed the activities of the Municipal Income Tax and Recreation Funds, which had been reported as separate funds in prior years.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010, 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.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 24, 2010



## **CITY OF LOVELAND, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2009***

***Unaudited***

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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, 2009. 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 2009 are as follows:

- In total, net assets increased \$699,329. Net assets of governmental activities increased \$965,797, which represents a 5.3% increase from 2008. Net assets of business-type activities decreased \$266,468 from 2008.
- General revenues accounted for \$8,808,892 in revenue or 53.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,575,207 or 46.2% of all revenues.
- The City had \$10,020,341 in expenses related to governmental activities; only \$2,026,039 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8,960,099 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

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2009*

*Unaudited*

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## **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, water 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, 2009**

**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, 2009 and 2008:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2009	2008	2009	2008	2009	2008
Current and other assets	\$10,222,198	\$8,994,858	\$3,686,860	\$3,393,440	\$13,909,058	\$12,388,298
Capital assets, Net	21,953,726	22,518,918	15,286,746	15,094,124	37,240,472	37,613,042
Total assets	32,175,924	31,513,776	18,973,606	18,487,564	51,149,530	50,001,340
Long-term debt outstanding	7,384,977	8,010,747	2,881,351	3,104,921	10,266,328	11,115,668
Other liabilities	5,731,635	5,409,514	1,505,376	529,296	7,237,011	5,938,810
Total liabilities	13,116,612	13,420,261	4,386,727	3,634,217	17,503,339	17,054,478
Net assets						
Invested in capital assets, net of related debt	13,217,802	13,937,128	12,778,863	12,231,619	25,996,665	26,168,747
Restricted	3,906,402	3,305,252	0	0	3,906,402	3,305,252
Unrestricted	1,935,108	851,135	1,808,016	2,621,728	3,743,124	3,472,863
Total net assets	\$19,059,312	\$18,093,515	\$14,586,879	\$14,853,347	\$33,646,191	\$32,946,862

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## CITY OF LOVELAND, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2009*

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for fiscal year 2009 and 2008:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for Services and Sales	\$874,569	\$829,741	\$5,010,160	\$5,193,510	\$5,884,729	6,023,251
Operating Grants and Contributions	864,967	671,422	539,008	32,983	1,403,975	704,405
Capital Grants and Contributions	286,503	835,491	0	116,009	286,503	951,500
General revenues:						
Income Taxes	3,102,429	2,824,928	0	0	3,102,429	2,824,928
Property Taxes	3,205,528	3,072,053	0	0	3,205,528	3,072,053
Grants and Entitlements not Restricted to Specific Programs	1,506,295	1,218,060	0	0	1,506,295	1,218,060
Investment Earnings	166,647	159,585	33,576	0	200,223	159,585
Miscellaneous	794,417	460,112	0	0	794,417	460,112
Total revenues	<u>10,801,355</u>	<u>10,071,392</u>	<u>5,582,744</u>	<u>5,342,502</u>	<u>16,384,099</u>	<u>15,413,894</u>
Program Expenses						
Security of Persons and Property	5,029,548	5,343,477	0	0	5,029,548	5,343,477
Leisure Time Activities	535,168	517,700	0	0	535,168	517,700
Community Environment	209,411	203,022	0	0	209,411	203,022
Transportation	1,104,950	1,035,895	0	0	1,104,950	1,035,895
General Government	2,949,630	3,299,585	0	0	2,949,630	3,299,585
Debt Service:						
Interest and Fiscal Charges	191,634	240,374	0	0	191,634	240,374
Water	0	0	1,539,006	1,422,913	1,539,006	1,422,913
Sewer	0	0	2,488,670	2,764,222	2,488,670	2,764,222
Stormwater	0	0	506,995	557,324	506,995	557,324
Sanitation	0	0	1,129,758	1,089,836	1,129,758	1,089,836
Total expenses	<u>10,020,341</u>	<u>10,640,053</u>	<u>5,664,429</u>	<u>5,834,295</u>	<u>15,684,770</u>	<u>16,474,348</u>
Excess (deficiency) before Transfers	781,014	(568,661)	(81,685)	(491,793)	699,329	(1,060,454)
Transfers	184,783	338,337	(184,783)	(338,337)	0	0
Total Change in Net Assets	965,797	(230,324)	(266,468)	(830,130)	699,329	(1,060,454)
Beginning Net Assets	18,093,515	18,323,839	14,853,347	15,683,477	32,946,862	34,007,316
Ending Net Assets	<u>\$19,059,312</u>	<u>\$18,093,515</u>	<u>\$14,586,879</u>	<u>\$14,853,347</u>	<u>\$33,646,191</u>	<u>\$32,946,862</u>

### *Governmental Activities*

The net assets of the City's governmental activities increased by \$965,797, mainly due to the increased income and property tax collections, combined with controlled expenses.

## CITY OF LOVELAND, OHIO

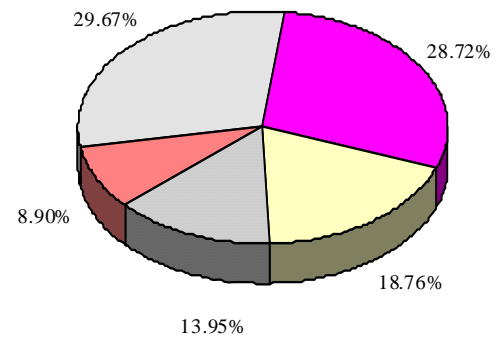
**Management's Discussion and Analysis  
For the Year Ended December 31, 2009**

**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 29.67% and 28.72% respectively of revenues for governmental activities for the City in fiscal year 2009. The City's reliance upon tax revenues is demonstrated by the following graph indicating 58.4% of total revenues from general tax revenues:

Revenue Sources	2009	Percent of Total
Property Taxes	\$3,205,528	29.67%
Income Taxes	3,102,429	28.72%
Program Revenues	2,026,039	18.76%
Grants and Entitlements not Restricted to Specific Programs	1,506,295	13.95%
General Other	961,064	8.90%
Total Revenue	<u>\$10,801,355</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities decreased by 1.8% or \$266,468. Despite reduced expenses, revenues still fell below expenses as the net assets decreased in 2009.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$3,691,834, which is an increase from last year's balance of \$2,764,437. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2009 and 2008:

	Fund Balance (Deficit) December 31, 2009	Fund Balance (Deficit) December 31, 2008	Increase (Decrease)
General	\$2,026,488	(\$168,251)	\$2,194,739
Paramedic	300,167	170,610	129,557
Fire Protection	78,903	98,998	(20,095)
Special Projects	1,213,379	840,286	373,093
Historic Loveland TIF	(84,739)	(58,502)	(26,237)
Other Governmental	157,636	1,881,296	(1,723,660)
Total	<u>\$3,691,834</u>	<u>\$2,764,437</u>	<u>\$927,397</u>

## CITY OF LOVELAND, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2009**

**Unaudited**

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

	2009 Revenues	2008 Revenues	Increase (Decrease)
Property Taxes	\$951,761	\$911,428	\$40,333
Municipal Income Tax	3,104,703	0	3,104,703
Intergovernmental Revenues	1,372,701	980,522	392,179
Charges for Services	619,337	518,780	100,557
Licenses and Permits	57,371	92,605	(35,234)
Fines and Forfeitures	117,867	119,080	(1,213)
All Other Revenue	89,950	83,497	6,453
Total	\$6,313,690	\$2,705,912	\$3,607,778

General Fund revenues in 2009 increased dramatically due to the General Fund absorbing the Municipal Income Tax Fund, and the Recreation Fund during 2009.

	2009 Expenditures	2008 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,459,368	\$2,774,387	(\$315,019)
Leisure Time Activities	415,471	0	415,471
Community Environment	209,411	203,022	6,389
General Government	2,492,968	1,974,032	518,936
Principal Retirement	70,608	45,900	24,708
Interest and Fiscal Charges	73,644	20,304	53,340
Total	\$5,721,470	\$5,017,645	\$703,825

General Fund expenditures increased by \$703,825 over the prior year mostly due to increases in leisure time activities, general government, and debt costs associated with the closing of the Income Tax and Recreation funds into the General 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 2009 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$6.4 million did not significantly change over the original budget estimates of \$6.5 million. 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, 2009*

*Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal 2009 the City had \$37,240,472 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$21,953,726 was related to governmental activities and \$15,286,746 to the business-type activities. The following table shows fiscal year 2009 and 2008 balances:

	Governmental Activities		Increase (Decrease)
	2009	2008	
Land	\$3,842,681	\$3,842,681	\$0
Buildings	7,286,185	7,339,130	(52,945)
Improvements Other than Buildings	1,475,452	1,475,452	0
Machinery and Equipment	4,747,183	4,495,402	251,781
Infrastructure	19,403,088	19,403,088	0
Less: Accumulated Depreciation	(14,800,863)	(14,036,835)	(764,028)
Totals	\$21,953,726	\$22,518,918	(\$565,192)
	Business-Type Activities		Increase (Decrease)
	2009	2008	
Land	\$721,263	\$242,540	\$478,723
Buildings & Improvements	2,607,324	2,607,324	0
Utility Structures in Service	15,526,553	15,461,647	64,906
Infrastructure	4,221,290	4,221,290	0
Machinery and Equipment	491,685	394,408	97,277
Less: Accumulated Depreciation	(8,281,369)	(7,833,085)	(448,284)
Totals	\$15,286,746	\$15,094,124	\$192,622

The primary increase in governmental activities occurred in machinery and equipment. These increases resulted from the purchase of a new dump truck. The primary increase in the business-type activities occurred in land. For additional information on the City's capital assets see Note 6.

## **CITY OF LOVELAND, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2009**

**Unaudited**

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### **Debt**

At December 31, 2009, the City had \$6,596,323 in bonds outstanding, \$650,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Governmental Activities:		
General Obligation Bonds	\$4,060,800	\$4,295,000
Deferred Loss on Refundings	(44,154)	(49,673)
Ohio Public Works Commission Loans	2,489,278	2,716,949
Capital Leases Payable	0	14,514
Compensated Absences	845,719	999,907
Police Pension Accrued Liability	33,334	34,050
Total Governmental Activities	<u>\$7,384,977</u>	<u>\$8,010,747</u>
Business-Type Activities:		
General Obligation Bonds	\$2,519,200	\$2,835,000
Premium on Refunding Bonds	16,323	0
Deferred Loss on Refundings	(10,930)	0
Capital Leases Payable	23,088	28,397
Compensated Absences	333,670	241,524
Total Business-Type Activities	<u>2,881,351</u>	<u>3,104,921</u>
Totals	<u>\$10,266,328</u>	<u>\$11,115,668</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, 2009, 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 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.

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.



## ***CITY OF LOVELAND, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2009***

***Unaudited***

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### **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 Harry Steger, 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, 2009*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,016,780	\$ 371,094	\$ 1,387,874
Investments	2,148,530	1,589,373	3,737,903
Receivables:			
Taxes	3,297,606	0	3,297,606
Accounts	0	598,593	598,593
Intergovernmental	712,453	0	712,453
Interest	11,056	0	11,056
Special Assessments	72,650	0	72,650
Internal Balances	313,589	(313,589)	0
Inventory of Supplies at Cost	81,736	38,255	119,991
Prepays	26,313	7,639	33,952
Land Held for Resale	2,519,341	0	2,519,341
Restricted Assets:			
Cash and Cash Equivalents	3,467	1,395,495	1,398,962
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	18,111,045	14,565,483	32,676,528
<b>Total Assets</b>	<b>32,175,924</b>	<b>18,973,606</b>	<b>51,149,530</b>
<b>Liabilities:</b>			
Accounts Payable	198,984	80,165	279,149
Accrued Wages and Benefits	178,126	25,481	203,607
Matured Bonds & Interest Payable	18,677	0	18,677
Deferred Revenue	3,048,000	0	3,048,000
Accrued Interest Payable	57,848	4,235	62,083
Due to Escrow Agent	0	1,395,495	1,395,495
General Obligation Notes Payable	2,230,000	0	2,230,000
Long Term Liabilities:			
Due Within One Year	803,293	233,409	1,036,702
Due in More Than One Year	6,581,684	2,647,942	9,229,626
<b>Total Liabilities</b>	<b>13,116,612</b>	<b>4,386,727</b>	<b>17,503,339</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	13,217,802	12,778,863	25,996,665
Restricted For:			
Capital Projects	2,835,394	0	2,835,394
Debt Service	15,188	0	15,188
Other Purposes	1,055,820	0	1,055,820
Unrestricted	1,935,108	1,808,016	3,743,124
<b>Total Net Assets</b>	<b>\$ 19,059,312</b>	<b>\$ 14,586,879</b>	<b>\$ 33,646,191</b>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2009**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 5,029,548	\$ 192,611	\$ 56,296	\$ 286,503
Leisure Time Activities	535,168	0	84,000	0
Community Environment	209,411	57,371	0	0
Transportation	1,104,950	5,250	698,837	0
General Government	2,949,630	619,337	25,834	0
Interest and Fiscal Charges	191,634	0	0	0
<b>Total Governmental Activities</b>	<b>10,020,341</b>	<b>874,569</b>	<b>864,967</b>	<b>286,503</b>
<b>Business-Type Activities:</b>				
Water	1,539,006	1,352,740	409,000	0
Sewer	2,488,670	2,349,649	0	0
Stormwater	506,995	359,229	20,000	0
Sanitation	1,129,758	948,542	110,008	0
<b>Total Business-Type Activities</b>	<b>5,664,429</b>	<b>5,010,160</b>	<b>539,008</b>	<b>0</b>
<b>Totals</b>	<b>\$ 15,684,770</b>	<b>\$ 5,884,729</b>	<b>\$ 1,403,975</b>	<b>\$ 286,503</b>

**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**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,494,138)	\$ 0	\$ (4,494,138)
(451,168)	0	(451,168)
(152,040)	0	(152,040)
(400,863)	0	(400,863)
(2,304,459)	0	(2,304,459)
(191,634)	0	(191,634)
<u>(7,994,302)</u>	<u>0</u>	<u>(7,994,302)</u>
0	222,734	222,734
0	(139,021)	(139,021)
0	(127,766)	(127,766)
0	(71,208)	(71,208)
<u>0</u>	<u>(115,261)</u>	<u>(115,261)</u>
<u>(7,994,302)</u>	<u>(115,261)</u>	<u>(8,109,563)</u>
3,205,528	0	3,205,528
3,102,429	0	3,102,429
1,506,295	0	1,506,295
166,647	33,576	200,223
794,417	0	794,417
184,783	(184,783)	0
<u>8,960,099</u>	<u>(151,207)</u>	<u>8,808,892</u>
965,797	(266,468)	699,329
<u>18,093,515</u>	<u>14,853,347</u>	<u>32,946,862</u>
<u>\$ 19,059,312</u>	<u>\$ 14,586,879</u>	<u>\$ 33,646,191</u>

**CITY OF LOVELAND, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2009**

	General Fund	Paramedic Fund	Fire Protection Fund	Special Projects Fund
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 339,201	\$ 300,167	\$ 78,903	\$ 92,006
Investments	1,598,481	0	0	431,741
Receivables:				
Taxes	1,069,294	1,003,405	690,500	0
Intergovernmental	240,828	28,037	36,159	0
Interest	0	0	0	11,056
Special Assessments	0	0	0	72,650
Interfund Loans Receivables	213,589	0	0	100,000
Inventory of Supplies, at Cost	543	0	0	0
Prepaid Items	23,962	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Land Held for Resale	0	0	0	590,201
<b>Total Assets</b>	<b>\$ 3,485,898</b>	<b>\$ 1,331,609</b>	<b>\$ 805,562</b>	<b>\$ 1,297,654</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 85,855	\$ 0	\$ 0	\$ 11,107
Accrued Wages and Benefits Payable	166,543	0	0	0
Matured Bonds and Interest Payable	0	0	0	0
Deferred Revenue	1,207,012	1,031,442	726,659	73,168
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,459,410</b>	<b>1,031,442</b>	<b>726,659</b>	<b>84,275</b>
<b>Fund Balances:</b>				
Reserved for Prepaid Items	23,962	0	0	0
Reserved for Supplies Inventory	543	0	0	0
Reserved for Debt Service	0	0	0	0
Unreserved, Undesignated in:				
General Fund	2,001,983	0	0	0
Special Revenue Funds	0	300,167	78,903	0
Capital Projects Funds	0	0	0	1,213,379
<b>Total Fund Balances</b>	<b>2,026,488</b>	<b>300,167</b>	<b>78,903</b>	<b>1,213,379</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,485,898</b>	<b>\$ 1,331,609</b>	<b>\$ 805,562</b>	<b>\$ 1,297,654</b>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,836	\$ 202,667	\$ 1,016,780
0	118,308	2,148,530
0	534,407	3,297,606
0	407,429	712,453
0	0	11,056
0	0	72,650
0	0	313,589
0	81,193	81,736
0	2,351	26,313
0	3,467	3,467
0	18,677	18,677
1,929,140	0	2,519,341
<u>\$ 1,932,976</u>	<u>\$ 1,368,499</u>	<u>\$ 10,222,198</u>
\$ 0	\$ 102,022	\$ 198,984
0	11,583	178,126
0	18,677	18,677
0	823,819	3,862,100
37,715	4,762	42,477
1,980,000	250,000	2,230,000
<u>2,017,715</u>	<u>1,210,863</u>	<u>6,530,364</u>
0	2,351	26,313
0	81,193	81,736
0	30,559	30,559
0	0	2,001,983
0	317,297	696,367
(84,739)	(273,764)	854,876
<u>(84,739)</u>	<u>157,636</u>	<u>3,691,834</u>
<u>\$ 1,932,976</u>	<u>\$ 1,368,499</u>	<u>\$ 10,222,198</u>

**CITY OF LOVELAND, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2009***

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<b>Total Governmental Fund Balances</b>		\$ 3,691,834
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		21,953,726
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	169,849	
Income Taxes	46,079	
Intergovernmental Revenues	597,654	
Investment Earnings	<u>518</u>	814,100
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	(4,060,800)	
Deferred Loss on Debt Defeasance	44,154	
OPWC Public Works Commission Loans	(2,489,278)	
Compensated Absences Payable	(845,719)	
Police/Fire Accrued Pension Liability	(33,334)	
Accrued Interest Payable	<u>(15,371)</u>	<u>(7,400,348)</u>
<b><i>Net Assets of Governmental Activities</i></b>		<b><u><u>\$ 19,059,312</u></u></b>

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, 2009**

	General Fund	Paramedic Fund	Fire Protection Fund	Special Projects Fund
<b>Revenues:</b>				
Property Taxes	\$ 951,761	\$ 960,321	\$ 661,363	\$ 0
Municipal Income Tax	3,104,703	0	0	0
Intergovernmental Revenues	1,372,701	97,659	66,156	0
Charges for Services	619,337	60,000	0	0
Licenses and Permits	57,371	0	0	0
Investment Earnings	0	0	0	125,107
Fines and Forfeitures	117,867	0	0	0
All Other Revenue	89,950	0	0	23,916
<b>Total Revenue</b>	<b>6,313,690</b>	<b>1,117,980</b>	<b>727,519</b>	<b>149,023</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,459,368	988,423	826,614	0
Leisure Time Activities	415,471	0	0	0
Community Environment	209,411	0	0	0
Transportation	0	0	0	0
General Government	2,492,968	0	0	20,753
Capital Outlay	0	0	0	64,206
Debt Service:				
Principal Retirement	70,608	0	0	0
Interest & Fiscal Charges	73,644	0	0	0
<b>Total Expenditures</b>	<b>5,721,470</b>	<b>988,423</b>	<b>826,614</b>	<b>84,959</b>
Excess (Deficiency) of Revenues Over Expenditures	592,220	129,557	(99,095)	64,064
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	79,000	258,309
Sale of Bonds	100,000	0	0	50,000
Premiums on Debt Issuance	1,135	0	0	720
Transfers In	1,575,180	0	0	0
Transfers Out	(73,568)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,602,747</b>	<b>0</b>	<b>79,000</b>	<b>309,029</b>
Net Change in Fund Balances	2,194,967	129,557	(20,095)	373,093
<b>Fund Balances at Beginning of Year</b>	<b>(168,251)</b>	<b>170,610</b>	<b>98,998</b>	<b>840,286</b>
Increase (Decrease) in Inventory Reserve	(228)	0	0	0
<b>Fund Balances End of Year</b>	<b>\$ 2,026,488</b>	<b>\$ 300,167</b>	<b>\$ 78,903</b>	<b>\$ 1,213,379</b>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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Historic Loveland TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 641,450	\$ 3,214,895
0	0	3,104,703
0	813,168	2,349,684
0	0	679,337
0	5,250	62,621
34,118	7,479	166,704
0	14,744	132,611
0	399,770	513,636
<u>34,118</u>	<u>1,881,861</u>	<u>10,224,191</u>
0	493,705	4,768,110
0	0	415,471
0	0	209,411
0	697,418	697,418
0	415,931	2,929,652
18,319	77,699	160,224
0	582,063	652,671
<u>42,036</u>	<u>72,289</u>	<u>187,969</u>
<u>60,355</u>	<u>2,339,105</u>	<u>10,020,926</u>
(26,237)	(457,244)	203,265
0	0	337,309
0	40,800	190,800
0	500	2,355
0	258,351	1,833,531
0	(1,575,180)	(1,648,748)
0	(1,275,529)	715,247
(26,237)	(1,732,773)	918,512
(58,502)	1,881,296	2,764,437
0	9,113	8,885
<u>\$ (84,739)</u>	<u>\$ 157,636</u>	<u>\$ 3,691,834</u>

**CITY OF LOVELAND, OHIO**

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***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, 2009***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 918,512

***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	446,730	
Depreciation Expense	(955,392)	(508,662)

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. (56,530)

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

Decrease in Property Tax Revenue	(9,367)	
Decrease in Income Tax Revenue	(2,274)	
Increase in Intergovernmental Revenue	21,578	
Decrease in Investment Income	(2,412)	7,525

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (190,800)

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	425,000	
Deferred Loss on Bond Refunding	(5,519)	
Ohio Public Works Commission Loans	227,671	
Police/Fire Accrued Pension Payment	716	
Capital Leases Payable	14,514	662,382

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,855

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	122,630	
Change in Inventory	8,885	131,515

***Change in Net Assets of Governmental Activities*** \$ 965,797

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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 802,707	\$ 936,000	\$ 951,761	\$ 15,761
Municipal Income Tax	3,100,000	3,100,000	3,085,728	(14,272)
Intergovernmental Revenue	1,663,662	1,477,934	1,476,459	(1,475)
Charges for Services	622,156	634,156	619,337	(14,819)
Licenses and Permits	105,000	57,000	57,371	371
Fines and Forfeitures	150,000	102,000	102,218	218
All Other Revenues	103,600	91,000	89,950	(1,050)
Total Revenues	<u>6,547,125</u>	<u>6,398,090</u>	<u>6,382,824</u>	<u>(15,266)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,772,652	2,564,835	2,542,005	22,830
Leisure Time Activities	557,630	634,084	497,228	136,856
Community Environment	204,461	215,550	215,257	293
General Government	4,474,022	4,009,100	2,459,181	1,549,919
Debt Service:				
Principal Retirement	70,608	70,608	70,608	0
Interest and Fiscal Charges	73,644	73,644	73,644	0
Total Expenditures	<u>8,153,017</u>	<u>7,567,821</u>	<u>5,857,923</u>	<u>1,709,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,605,892)	(1,169,731)	524,901	1,694,632
<b>Other Financing Sources (Uses):</b>				
Sale of General Obligation Bonds	101,000	101,000	101,135	135
Transfers In	968,824	968,824	968,824	0
Transfers Out	(68,590)	(68,590)	(68,590)	0
Advances In	625,000	625,000	625,000	0
Advances Out	(278,771)	(213,589)	(213,589)	0
Total Other Financing Sources (Uses):	<u>1,347,463</u>	<u>1,412,645</u>	<u>1,412,780</u>	<u>135</u>
Net Change in Fund Balance	(258,429)	242,914	1,937,681	1,694,767
Fund Balance at Beginning of Year	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (258,428)</u>	<u>\$ 242,915</u>	<u>\$ 1,937,682</u>	<u>\$ 1,694,767</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 786,447	\$ 951,000	\$ 960,321	\$ 9,321
Intergovernmental Revenue	160,688	106,050	97,659	(8,391)
Charges for Services	60,000	60,000	60,000	0
Total Revenues	1,007,135	1,117,050	1,117,980	930
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,270,923	1,260,000	988,674	271,326
Total Expenditures	1,270,923	1,260,000	988,674	271,326
Excess (Deficiency) of Revenues Over (Under) Expenditures	(263,788)	(142,950)	129,306	272,256
Fund Balance at Beginning of Year	170,861	170,861	170,861	0
Fund Balance at End of Year	\$ (92,927)	\$ 27,911	\$ 300,167	\$ 272,256

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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 532,755	\$ 655,000	\$ 661,363	\$ 6,363
Intergovernmental Revenue	116,643	71,811	66,156	(5,655)
Total Revenues	649,398	726,811	727,519	708
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	871,246	910,000	847,610	62,390
Total Expenditures	871,246	910,000	847,610	62,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(221,848)	(183,189)	(120,091)	63,098
<b>Other Financing Sources:</b>				
Sale of Capital Assets	18,601	97,601	97,601	0
Total Other Financing Sources:	18,601	97,601	97,601	0
Net Change in Fund Balance	(203,247)	(85,588)	(22,490)	63,098
Fund Balance at Beginning of Year	101,393	101,393	101,393	0
Fund Balance at End of Year	\$ (101,854)	\$ 15,805	\$ 78,903	\$ 63,098

See accompanying notes to the basic financial statements

## CITY OF LOVELAND, OHIO

### *Statement of Net Assets Proprietary Funds December 31, 2009*

	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Sanitation</u>	<u>Total</u>
<b>Assets:</b>					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 223,621	\$ 99,795	\$ 29,205	\$ 18,473	\$ 371,094
Investments	1,053,807	310,881	137,629	87,056	1,589,373
<i>Receivables:</i>					
Accounts	132,940	296,859	43,669	125,125	598,593
Inventory of Supplies at Cost	37,273	297	250	435	38,255
Prepaid Items	3,628	505	1,747	1,759	7,639
<i>Restricted Assets:</i>					
Cash and Cash Equivalents	1,395,495	0	0	0	1,395,495
<b>Total Current Assets</b>	<u>2,846,764</u>	<u>708,337</u>	<u>212,500</u>	<u>232,848</u>	<u>4,000,449</u>
<i>Non Current Assets:</i>					
<i>Capital Assets:</i>					
Capital Assets Not Being Depreciated	661,773	59,490	0	0	721,263
Capital Assets Being Depreciated	9,533,050	1,367,478	3,640,865	24,090	14,565,483
<b>Total Assets</b>	<u>13,041,587</u>	<u>2,135,305</u>	<u>3,853,365</u>	<u>256,938</u>	<u>19,287,195</u>
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	20,271	1,670	0	58,224	80,165
Accrued Wages and Benefits	13,323	1,809	5,267	5,082	25,481
Interfund Loans Payable	0	313,589	0	0	313,589
Accrued Interest Payable	32	0	4,147	56	4,235
Due to Escrow Agent	1,395,495	0	0	0	1,395,495
<b>Total Current Liabilities</b>	<u>1,429,121</u>	<u>317,068</u>	<u>9,414</u>	<u>63,362</u>	<u>1,818,965</u>
<i>Long Term Liabilities:</i>					
Compensated Absences Payable	122,772	39,531	73,610	97,757	333,670
Capital Leases Payable	0	0	0	23,088	23,088
General Obligation Bonds Payable	1,180,393	19,200	1,284,200	40,800	2,524,593
<b>Total Liabilities</b>	<u>2,732,286</u>	<u>375,799</u>	<u>1,367,224</u>	<u>225,007</u>	<u>4,700,316</u>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	9,014,430	1,407,768	2,356,665	0	12,778,863
Unrestricted	1,294,871	351,738	129,476	31,931	1,808,016
<b>Total Net Assets</b>	<u>\$ 10,309,301</u>	<u>\$ 1,759,506</u>	<u>\$ 2,486,141</u>	<u>\$ 31,931</u>	<u>\$ 14,586,879</u>

See accompanying notes to the basic financial statements



**CITY OF LOVELAND, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	Water	Sewer	Stormwater	Sanitation	Total
<b>Operating Revenues:</b>					
Charges for Services	\$ 1,336,367	\$ 2,348,775	\$ 357,521	\$ 946,834	\$ 4,989,497
Other Operating Revenue	16,373	874	1,708	1,708	20,663
<b>Total Operating Revenues</b>	<b>1,352,740</b>	<b>2,349,649</b>	<b>359,229</b>	<b>948,542</b>	<b>5,010,160</b>
<b>Operating Expenses:</b>					
Personal Services	368,872	55,682	183,683	169,112	777,349
Contractual Services	553,431	2,361,061	122,377	946,200	3,983,069
Materials and Supplies	49,736	4,925	13,621	12,195	80,477
Basic Utility Services	161,586	0	0	0	161,586
Depreciation	304,431	67,002	128,577	1,785	501,795
<b>Total Operating Expenses</b>	<b>1,438,056</b>	<b>2,488,670</b>	<b>448,258</b>	<b>1,129,292</b>	<b>5,504,276</b>
Operating Income (Loss)	(85,316)	(139,021)	(89,029)	(180,750)	(494,116)
<b>Nonoperating Revenue (Expenses):</b>					
Intergovernmental Grants	409,000	0	20,000	110,008	539,008
Investment Earnings	32,606	235	235	500	33,576
Interest Expense	(100,950)	0	(58,737)	(466)	(160,153)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>340,656</b>	<b>235</b>	<b>(38,502)</b>	<b>110,042</b>	<b>412,431</b>
Income (Loss) Before Transfers	255,340	(138,786)	(127,531)	(70,708)	(81,685)
Transfers Out	(141,930)	0	(35,853)	(7,000)	(184,783)
Change in Net Assets	113,410	(138,786)	(163,384)	(77,708)	(266,468)
Net Assets Beginning of Year	10,195,891	1,898,292	2,649,525	109,639	14,853,347
Net Assets End of Year	<u>\$ 10,309,301</u>	<u>\$ 1,759,506</u>	<u>\$ 2,486,141</u>	<u>\$ 31,931</u>	<u>\$ 14,586,879</u>

See accompanying notes to the basic financial statements

## CITY OF LOVELAND, OHIO

### Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2009

	Business-Type Activities				Total
	Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$1,328,626	\$2,510,601	\$392,745	\$1,027,495	\$5,259,467
Cash Payments for Goods and Services	(800,166)	(2,725,791)	(138,379)	(968,522)	(4,632,858)
Cash Payments to Employees	(392,273)	(53,701)	(139,079)	(126,725)	(711,778)
Net Cash Provided (Used) by Operating Activities	136,187	(268,891)	115,287	(67,752)	(85,169)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Intergovernmental Grants	409,000	0	20,000	110,008	539,008
Transfers Out to Other Funds	(141,930)	0	(35,853)	(7,000)	(184,783)
Advances In From Other Funds	0	313,589	0	0	313,589
Net Cash Provided (Used) by Noncapital Financing Activities	267,070	313,589	(15,853)	103,008	667,814
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(694,417)	0	0	0	(694,417)
Issuance of General Obligation Bonds	1,158,282	19,435	19,435	41,300	1,238,452
Principal Paid on General Obligation Bonds	(125,000)	0	(60,000)	0	(185,000)
Principal Paid on Capital Leases	0	(815)	(815)	(3,679)	(5,309)
Interest Paid on All Debt	(73,984)	(7)	(58,932)	(475)	(133,398)
Net Cash Provided (Used) for Capital and Related Financing Activities	264,881	18,613	(100,312)	37,146	220,328
<u>Cash Flows from Investing Activities:</u>					
Receipts of Interest	32,606	0	0	0	32,606
Purchase of Investments	0	(73,931)	(23,227)	(87,056)	(184,214)
Sale of Investments	129,673	0	0	0	129,673
Net Cash Provided (Used) by Investing Activities	162,279	(73,931)	(23,227)	(87,056)	(21,935)
Net Increase (Decrease) in Cash and Cash Equivalents	830,417	(10,620)	(24,105)	(14,654)	781,038
Cash and Cash Equivalents at Beginning of Year	788,699	110,415	53,310	33,127	985,551
Cash and Cash Equivalents at End of Year	\$1,619,116	\$99,795	\$29,205	\$18,473	\$1,766,589
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$223,621	\$99,795	\$29,205	\$18,473	\$371,094
Restricted Cash and Cash Equivalents	1,395,495	0	0	0	1,395,495
Cash and Cash Equivalents at End of Year	\$1,619,116	\$99,795	\$29,205	\$18,473	\$1,766,589

(Continued)

**CITY OF LOVELAND, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	Business-Type Activities				Total
	Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities:					
Operating Loss	(\$85,316)	(\$139,021)	(\$89,029)	(\$180,750)	(\$494,116)
Adjustments to Reconcile Operating Loss to					
Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	304,431	67,002	128,577	1,785	501,795
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(24,114)	160,952	33,516	78,953	249,307
(Increase) Decrease in Inventory	(13,298)	0	(162)	362	(13,098)
Increase in Prepaid Items	(3,628)	(505)	(1,747)	(1,759)	(7,639)
Decrease in Accounts Payable	(18,487)	(359,300)	(472)	(8,730)	(386,989)
Decrease in Accrued Wages and Benefits	(11,359)	(1,777)	(9,329)	(4,110)	(26,575)
Increase (Decrease) in Compensated Absences	(12,042)	3,758	53,933	46,497	92,146
Total Adjustments	<u>221,503</u>	<u>(129,870)</u>	<u>204,316</u>	<u>112,998</u>	<u>408,947</u>
Net Cash Provided (Used) by Operating Activities	<u>\$136,187</u>	<u>(\$268,891)</u>	<u>\$115,287</u>	<u>(\$67,752)</u>	<u>(\$85,169)</u>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2009***

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	<u>Agency</u>
<b>Assets:</b>	
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	\$ 23,957
<b>Total Assets</b>	<u>23,957</u>
<b>Liabilities:</b>	
Due to Others	<u>23,957</u>
<b>Total Liabilities</b>	<u>\$ 23,957</u>

See accompanying notes to the basic financial statements

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2009*

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#### **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 Fund - 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2009*

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#### **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 withheld by employers, 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, 2009 but which are not intended to finance 2009 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 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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 2009.

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009**

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**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)	\$2,194,967	\$129,557	(\$20,095)
Increase (Decrease):			
Accrued Revenues at December 31, 2009 received during 2010	(316,699)	0	0
Accrued Revenues at December 31, 2008 received during 2009	172,244	0	0
Accrued Expenditures at December 31, 2009 paid during 2010	251,877	0	0
Accrued Expenditures at December 31, 2008 paid during 2009	(340,746)	(251)	(2,395)
2009 Prepays for 2010	(23,962)	0	0
2008 Prepays for 2009	0	0	0
Budget Basis	<u>\$1,937,681</u>	<u>\$129,306</u>	<u>(\$22,490)</u>

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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 2009. 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, 2009.

##### **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*

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## *Notes to the Basic Financial Statements For the Year Ended December 31, 2009*

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### **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:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (Years)</u>
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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009***

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**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 Fund Income Tax Fund Fire and EMS Fund Street Maintenance Fund Recreation Capital Improvement Fund North End TIF Fund 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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, prepaid items, and debt service.

##### **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. 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.

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## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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, 2009**

**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 \$3,735,201 and the bank balance was \$3,879,707. Federal depository insurance covered \$2,593,090 of the bank balance and \$1,286,617 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	\$1,286,617
Total Balance	\$1,286,617

**B. Investments**

The City's investments at December 31, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
Repurchase Agreements	\$1,337,580	N/A	\$1,337,580	\$0
STAR Ohio	99,779	AAAm <sup>1</sup>	99,779	0
FNMA	294,353	AAA <sup>1</sup> /Aaa <sup>2</sup>	0	294,353
FHLB	298,782	AAA <sup>1</sup> /Aaa <sup>2</sup>	0	298,782
FHLMC	801,678	AAA <sup>1</sup> /Aaa <sup>2</sup>	0	801,678
Total Investments	\$2,832,172		\$1,437,359	\$1,394,813

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

## **CITY OF LOVELAND, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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, 49.2% are in Federal Securities, 47.2% is invested in a repurchase agreement, and the remaining 3.6% is in STAROhio.

*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	\$2,829,470	\$3,737,903
Certificates of Deposit (with maturities of more than 3 months)	2,343,090	(2,343,090)
Repurchase Agreements	(1,337,580)	1,337,580
STAR Ohio	(99,779)	99,779
Per GASB Statement No. 3	<u>\$3,735,201</u>	<u>\$2,832,172</u>

\* Includes Cash with Fiscal Agent

## *CITY OF LOVELAND, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2009*

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#### **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 2009 were levied after October 1, 2008 on assessed values as of January 1, 2008, 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 2009 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of January 1, 2008. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 6.25% for 2009. This percentage will be reduced to zero for 2010. 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.

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 and 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.

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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009**

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**NOTE 3 – TAXES (Continued)**

**A. Property Taxes (Continued)**

The assessed values upon which the 2009 property tax receipts were based were as follows:

	County		
	Hamilton	Clermont	Warren
Real Property:			
Residential/Agricultural	\$225,091,440	\$51,483,030	\$26,923,060
Personal Property:			
Tangible Personal Property	584,790	200	0
Public Utility Personal Property	3,681,860	747,550	212,690
Total Assessed Value	<u>\$229,358,090</u>	<u>\$52,230,780</u>	<u>\$27,135,750</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 2009, 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, 2009 consisted of property and income taxes, accounts receivable, interest, special assessments, and intergovernmental receivables arising from shared revenues.

**CITY OF LOVELAND, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009**

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**NOTE 5 – TRANSFERS AND INTERFUND ACTIVITY**

**A. Transfers**

Following is a summary of transfers in and out for all funds for 2009:

Fund	Transfers In	Transfers Out
General Fund	\$1,575,180	\$73,568
Nonmajor Governmental Funds	258,351	1,575,180
Total Governmental Funds	1,833,531	1,648,748
Enterprise Fund:		
Water	0	141,930
Stormwater	0	35,853
Sanitation	0	7,000
Total Enterprise Funds	0	184,783
Totals	\$1,833,531	\$1,833,531

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 Enterprise funds provided transfers to the debt service fund during the year to retire a portion of debt paid by governmental activities. Transfers out of the Nonmajor Governmental Funds were made to close out the Income Tax Fund and Parks and Recreation Funds to the General Fund in accordance with City Ordinances.

**B. Interfund Activity**

Interfund balances at December 31, 2009 consist of the following individual fund receivables and payables:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$213,589	\$0
Special Projects Fund	100,000	0
Total Governmental Funds	313,589	0
Enterprise Fund:		
Sewer Fund	0	313,589
Totals	\$313,589	\$313,589

The interfund loan balances result from the General Fund and Special Projects Fund advances of monies to the Sewer Fund to assist the fund's cashflow. The advances are scheduled to be repaid during the 2010 fiscal year.

**CITY OF LOVELAND, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009**

**NOTE 6 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2009:

**Historical Cost:**

Class	December 31, 2008	Additions	Deletions	December 31, 2009
<b>Capital assets not being depreciated:</b>				
Land	\$3,842,681	\$0	\$0	\$3,842,681
<b>Capital assets being depreciated:</b>				
Buildings	7,339,130	0	(52,945)	7,286,185
Improvements other than Buildings	1,475,452	0	0	1,475,452
Machinery and Equipment	4,495,402	446,730	(194,949)	4,747,183
Infrastructure	19,403,088	0	0	19,403,088
Total Cost	<u>\$36,555,753</u>	<u>\$446,730</u>	<u>(\$247,894)</u>	<u>\$36,754,589</u>

**Accumulated Depreciation:**

Class	December 31, 2008	Additions	Deletions	December 31, 2009
Buildings	(1,413,782)	(152,047)	31,058	(1,534,771)
Improvements other than Buildings	(1,015,911)	(36,860)	0	(1,052,771)
Machinery and Equipment	(2,797,264)	(423,148)	160,306	(3,060,106)
Infrastructure	(8,809,878)	(343,337)	0	(9,153,215)
Total Depreciation	<u>(\$14,036,835)</u>	<u>(\$955,392) *</u>	<u>\$191,364</u>	<u>(\$14,800,863)</u>
<b>Net Value:</b>	<u>\$22,518,918</u>			<u>\$21,953,726</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$351,847
Leisure Time Activities	119,519
Transportation	413,297
General Government	70,729
Total Depreciation Expense	<u>\$955,392</u>



**CITY OF LOVELAND, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009**

**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, 2009:

***Historical Cost:***

Class	December 31, 2008	Additions	Deletions	December 31, 2009
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$242,540	\$478,723	\$0	\$721,263
<b><i>Capital assets being depreciated:</i></b>				
Buildings and Improvements	2,607,324	0	0	2,607,324
Utility Structures in Service	15,461,647	64,906	0	15,526,553
Infrastructure	4,221,290	0	0	4,221,290
Machinery and Equipment	394,408	150,788	(53,511)	491,685
Total Cost	<u>\$22,927,209</u>	<u>\$694,417</u>	<u>(\$53,511)</u>	<u>\$23,568,115</u>

***Accumulated Depreciation:***

Class	December 31, 2008	Additions	Deletions	December 31, 2009
Buildings and Improvements	(\$1,138,909)	(\$69,180)	\$0	(\$1,208,089)
Utility Structures in Service	(5,050,987)	(302,742)	0	(5,353,729)
Infrastructure	(1,446,164)	(77,515)	0	(1,523,679)
Machinery and Equipment	(197,025)	(52,358)	53,511	(195,872)
Total Depreciation	<u>(\$7,833,085)</u>	<u>(\$501,795)</u>	<u>\$53,511</u>	<u>(\$8,281,369)</u>
<b><i>Net Value:</i></b>	<u>\$15,094,124</u>			<u>\$15,286,746</u>

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## *CITY OF LOVELAND, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2009*

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#### **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 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 2009, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2009 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; for 2009, from January 1 through March 31, 2009 7.0% of annual covered salary was the portion used to fund pension obligations, and from April 1 through December 31, 2009 8.5% of annual covered salary was the portion used to fund pension obligations. 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, 2009, 2008, and 2007 were \$305,086, \$163,042 and \$174,489, respectively, which were equal to the required contributions for each year.

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **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 2009, 12.75% of annual covered salary for police was the portion used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2009, 2008, and 2007 were \$164,634, \$154,710 and \$147,159 for police.

#### **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.

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.

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 2009, 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. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. 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, 2009, 2008, and 2007 were \$220,601, \$163,042 and \$114,932, 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.

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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% 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 2009, 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, 2009, 2008, and 2007 were \$87,159, \$81,905 and \$77,907 for police which were equal to the required contributions for each year.

**CITY OF LOVELAND, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009***

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**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 \$154,188 from a beginning year balance of \$999,907 to a year-end balance of \$845,719.

At December 31, 2009 the total accumulated unpaid sick leave time recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	22,390	\$720,815
Vacation	<u>3,516</u>	<u>124,904</u>
Total	<u><u>25,906</u></u>	<u><u>\$845,719</u></u>

Compensated absences attributable to the Enterprise Funds of \$333,670 have been recorded within the Enterprise Funds and are not included in the above figures.

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**CITY OF LOVELAND, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009***

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**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, 2009	Issued	(Retired)	Balance December 31, 2009
Capital Projects Notes Payable:					
3.00% Recreation Land Acquisition	03/20/08	\$250,000	\$0	(\$250,000)	\$0
2.25% Recreation Land Acquisition	02/24/09	0	250,000	0	250,000
1.63% Downtown Revitalization	02/26/08	955,000	0	(955,000)	0
3.25% Downtown Revitalization	08/26/08	400,000	0	(400,000)	0
2.25% Downtown Revitalization	02/24/09	0	955,000	0	955,000
2.25% Downtown Revitalization	02/24/09	0	400,000	0	400,000
2.25% General Fund Reimbursement	02/24/09	0	625,000	0	625,000
Total Capital Project Notes Payable		<u>\$1,605,000</u>	<u>\$2,230,000</u>	<u>(\$1,605,000)</u>	<u>\$2,230,000</u>

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# CITY OF LOVELAND, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2009

### NOTE 11 - LONG-TERM OBLIGATIONS

Long-term obligations of the City at December 31, 2009 were as follows:

		Balance December 31, 2008	Issued	(Retired)	Balance December 31, 2009	Amount Due Within One Year
<b>Business-Type Activities:</b>						
General Obligation Bonds:						
1998 Water System Improvement	4.37%	\$1,510,000	\$0	(\$1,510,000)	\$0	\$0
2003 Stormwater System	3.00%	825,000	0	(40,000)	785,000	40,000
2005 Stormwater System	4.48%	225,000	0	(10,000)	215,000	10,000
2007 Stormwater System	4.25%	275,000	0	(10,000)	265,000	10,000
2009 Water Refunding Bonds	1.00%	0	1,175,000	0	1,175,000	120,000
Premium on Debt Refunding		0	16,323	0	16,323	1,814
Deferred Loss on Refunding		0	(10,930)	0	(10,930)	(1,214)
2009 Stormwater Dump Truck	1.00%	0	19,200	0	19,200	4,000
2009 Sewer Dump Truck	1.00%	0	19,200	0	19,200	4,000
2009 Sanitation Dump Truck	1.00%	0	40,800	0	40,800	8,500
Total General Obligation Bonds		<u>2,835,000</u>	<u>1,259,593</u>	<u>(1,570,000)</u>	<u>2,524,593</u>	<u>197,100</u>
Other Long-Term Obligations:						
Compensated Absences		241,524	92,146	0	333,670	31,226
Capital Leases		28,397	0	(5,309)	23,088	5,083
Total Other Long-Term Obligations		<u>269,921</u>	<u>92,146</u>	<u>(5,309)</u>	<u>356,758</u>	<u>36,309</u>
Total Business-Type Activities		<u>\$3,104,921</u>	<u>\$1,351,739</u>	<u>(\$1,575,309)</u>	<u>\$2,881,351</u>	<u>\$233,409</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2002 Various Purpose Bonds	3.25%	\$865,000	\$0	(\$45,000)	\$820,000	\$50,000
2003 City Hall-HVAC System	3.00%	45,000	0	(5,000)	40,000	10,000
2003 Fire Truck Acquisition	3.00%	365,000	0	(70,000)	295,000	70,000
2005 Various Purpose Refunding Bonds	4.25%	1,495,000	0	(140,000)	1,355,000	150,000
2005 Deferred Loss on Refunding		(49,673)	0	5,519	(44,154)	(5,519)
2005 P.W. Vehicles	4.23%	35,000	0	(35,000)	0	0
2005 North End T.I.F.	4.16%	425,000	0	(65,000)	360,000	70,000
2007 Christman Park Land T.I.F.	4.13%	650,000	0	(25,000)	625,000	25,000
2007 P.W. Buildings	4.13%	415,000	0	(40,000)	375,000	40,000
2009 Street Dump Truck	1.00%	0	40,800	0	40,800	8,500
2009 Lever Park	1.00%	0	150,000	0	150,000	30,000
Total General Obligation Bonds		<u>4,245,327</u>	<u>190,800</u>	<u>(419,481)</u>	<u>4,016,646</u>	<u>447,981</u>
Ohio Public Works Commission Loans:						
1993 Hanna Avenue Waterline	0.00%	45,981	0	(11,495)	34,486	11,495
1994 East Loveland Avenue	3.00%	117,403	0	(18,140)	99,263	18,689
1994 West Booster	3.00%	88,380	0	(15,012)	73,368	15,465
1995 Lever Water Tower	3.00%	289,989	0	(32,584)	257,405	33,570
1996 Maderia Road Waterline	0.00%	225,190	0	(28,149)	197,041	28,149
1999 State Route 48 North	3.00%	136,997	0	(13,681)	123,316	13,685
2002 West Loveland Waterline	0.00%	202,500	0	(15,000)	187,500	15,000
2003 West Loveland Avenue	0.00%	258,378	0	(16,670)	241,708	16,670
2004 Elyson Extension	0.00%	381,367	0	(23,836)	357,531	23,836
2005 Walker Extension	0.00%	315,688	0	(19,133)	296,555	19,132
2007 Downtown Water Line	0.00%	462,653	0	(24,350)	438,303	24,350
2008 Broadway and Hanna	0.00%	192,423	0	(9,621)	182,802	9,621
Total Ohio Public Works Commission Loans		<u>2,716,949</u>	<u>0</u>	<u>(227,671)</u>	<u>2,489,278</u>	<u>229,662</u>
Other Long-Term Obligations:						
Compensated Absences		999,907	845,719	(999,907)	845,719	124,904
Capital Leases		14,514	0	(14,514)	0	0
Police and Firemen's Pension Accrued Liability		34,050	0	(716)	33,334	746
Total Other Long-Term Obligations		<u>1,048,471</u>	<u>845,719</u>	<u>(1,015,137)</u>	<u>879,053</u>	<u>125,650</u>
Total Governmental Activities		<u>\$8,010,747</u>	<u>\$1,036,519</u>	<u>(\$1,662,289)</u>	<u>\$7,384,977</u>	<u>\$803,293</u>



**CITY OF LOVELAND, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009**

**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, 2009 was \$54,868 in principal and interest payments through the year 2035. Only the principal amount due of \$33,334 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, 2009, follows:

Years	General Obligation Bonds		OPWC Loans		Police Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$650,000	\$248,254	\$229,662	\$12,435	\$746	\$1,408
2011	660,000	231,992	231,713	10,384	778	1,376
2012	680,000	210,066	233,826	8,272	812	1,343
2013	700,000	186,916	224,507	6,094	847	1,308
2014	630,000	162,582	217,970	3,850	883	1,271
2015-2019	2,190,000	485,732	740,126	3,034	5,020	5,755
2020-2024	870,000	152,203	490,202	0	6,197	4,581
2025-2029	200,000	17,214	121,272	0	7,644	3,130
2030-2034	0	0	0	0	9,450	1,390
2035	0	0	0	0	957	62
Totals	<u>\$6,580,000</u>	<u>\$1,694,959</u>	<u>\$2,489,278</u>	<u>\$44,069</u>	<u>\$33,334</u>	<u>\$21,624</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 \$1,300,000 at December 31, 2009, 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

---

#### **NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

##### **C. Defeasance of General Obligation Debt (Continued)**

In December of 2009 The City issued \$1,175,000 of Various Purpose Refunding General Obligation Bonds to defease the \$1,385,000 of Mortgage Revenue Bonds for Water Improvements dated October 1, 1997. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$355,213.

The net proceeds of the 2009 Water Refunding General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in one of the City's investment accounts, which including interest earned, will be used to pay the principal and interest on the refunded bonds, when they become callable in January of 2010. The refunded General Obligation Bonds, which have a balance of \$1,385,000 at December 31, 2009, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the current refunding.

#### **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, 2009:

<u>Year Ending December 31,</u>	<u>Business-Type Capital Leases</u>
2010	\$5,941
2011	5,941
2012	5,941
2013	5,941
2014	1,485
Minimum Lease Payments	<u>25,249</u>
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(2,161)</u>
Present value of minimum lease payments	<u><u>\$23,088</u></u>

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2009***

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#### **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. In 1997, the City joined the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

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

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

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

#### **NOTE 14 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficit at December 31, 2009 of \$77,699 in the Issue II Projects Fund, \$196,065 in the Recreation TIF Fund, and \$84,739 in the Historic Loveland TIF Fund (capital project 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.

#### **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.

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2008**

*Prepared by:*  
**William R. Taphorn**  
**Director of Finance**

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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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Income Tax 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010, 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.



The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 24, 2010

## **CITY OF LOVELAND, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***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, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, 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 2008 are as follows:

- ❑ In total, net assets decreased \$1,060,454. Net assets of governmental activities decreased by \$230,324 from 2007. Net assets of business-type activities decreased \$830,130 from 2007.
- ❑ General revenues accounted for \$7,734,738 in revenue or 50.2% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,679,156 or 49.8% of all revenues.
- ❑ The City had \$10,640,053 in expenses related to governmental activities; only \$2,336,654 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8,073,075 and net assets 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. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

# CITY OF LOVELAND, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2008*

*Unaudited*

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## **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, water 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, 2008**

**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, 2008 and 2007:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2008	2007	2008	2007	2008	2007
Current and other assets	\$8,994,858	\$7,745,242	\$3,393,440	\$3,722,494	\$12,388,298	\$11,467,736
Capital assets, Net	22,518,918	22,266,785	15,094,124	15,320,977	37,613,042	37,587,762
Total assets	31,513,776	30,012,027	18,487,564	19,043,471	50,001,340	49,055,498
Long-term debt outstanding	8,010,747	8,403,529	3,104,921	3,227,144	11,115,668	11,630,673
Other liabilities	5,409,514	3,284,659	529,296	132,850	5,938,810	3,417,509
Total liabilities	13,420,261	11,688,188	3,634,217	3,359,994	17,054,478	15,048,182
Net assets						
Invested in capital assets, net of related debt	13,937,128	14,830,399	12,231,619	12,277,363	26,168,747	27,107,762
Restricted	3,305,252	4,200,529	0	0	3,305,252	4,200,529
Unrestricted	851,135	(707,089)	2,621,728	3,406,114	3,472,863	2,699,025
Total net assets	\$18,093,515	\$18,323,839	\$14,853,347	\$15,683,477	\$32,946,862	\$34,007,316

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## CITY OF LOVELAND, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2008*

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for fiscal year 2008 and 2007:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for Services and Sales	\$829,741	\$801,376	\$5,193,510	\$4,897,518	\$6,023,251	5,698,894
Operating Grants and Contributions	671,422	668,860	32,983	26,839	704,405	695,699
Capital Grants and Contributions	835,491	1,132,005	116,009	205,322	951,500	1,337,327
General revenues:						
Income Taxes	2,824,928	3,097,973	0	0	2,824,928	3,097,973
Property Taxes	3,072,053	2,985,089	0	0	3,072,053	2,985,089
Grants and Entitlements not Restricted to Specific Programs	1,218,060	882,095	0	0	1,218,060	882,095
Investment Earnings	159,585	407,997	0	59,977	159,585	467,974
Miscellaneous	460,112	368,738	0	0	460,112	368,738
Total revenues	<u>10,071,392</u>	<u>10,344,133</u>	<u>5,342,502</u>	<u>5,189,656</u>	<u>15,413,894</u>	<u>15,533,789</u>
Program Expenses						
Security of Persons and Property	5,343,477	4,612,689	0	0	5,343,477	4,612,689
Leisure Time Activities	517,700	767,098	0	0	517,700	767,098
Community Environment	203,022	202,433	0	0	203,022	202,433
Transportation	1,035,895	822,605	0	0	1,035,895	822,605
General Government	3,299,585	3,852,615	0	0	3,299,585	3,852,615
Debt Service:						
Interest and Fiscal Charges	240,374	216,768	0	0	240,374	216,768
Water	0	0	1,422,913	1,217,657	1,422,913	1,217,657
Sewer	0	0	2,764,222	2,048,683	2,764,222	2,048,683
Stormwater	0	0	557,324	410,702	557,324	410,702
Sanitation	0	0	1,089,836	1,121,598	1,089,836	1,121,598
Total expenses	<u>10,640,053</u>	<u>10,474,208</u>	<u>5,834,295</u>	<u>4,798,640</u>	<u>16,474,348</u>	<u>15,272,848</u>
Excess (deficiency) before Transfers	(568,661)	(130,075)	(491,793)	391,016	(1,060,454)	260,941
Transfers	338,337	(294,281)	(338,337)	294,281	0	0
Total Change in Net Assets	(230,324)	(424,356)	(830,130)	685,297	(1,060,454)	260,941
Beginning Net Assets	18,323,839	18,748,195	15,683,477	14,998,180	34,007,316	33,746,375
Ending Net Assets	<u>\$18,093,515</u>	<u>\$18,323,839</u>	<u>\$14,853,347</u>	<u>\$15,683,477</u>	<u>\$32,946,862</u>	<u>\$34,007,316</u>

### *Governmental Activities*

The net assets of the City's governmental activities decreased during 2008. A decrease in overall revenues, combined with increases in expenses created the decrease in net assets.

## CITY OF LOVELAND, OHIO

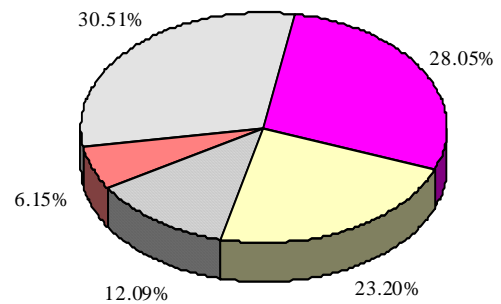
**Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**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 30.51% and 28.05% respectively of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 58.6% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
Property Taxes	\$3,072,053	30.51%
Income Taxes	2,824,928	28.05%
Program Revenues	2,336,654	23.20%
Grants and Entitlements not Restricted to Specific Programs	1,218,060	12.09%
General Other	619,697	6.15%
Total Revenue	<u>\$10,071,392</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities decreased by 5.3% or \$830,130. Increases in expenses exceeded the increase in revenues in 2008.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$2,764,437, which is a decrease from last year's balance of \$3,697,168. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2008 and 2007:

	Fund Balance (Deficit) December 31, 2008	Fund Balance (Deficit) December 31, 2007	Increase (Decrease)
General	(\$168,251)	(\$84,511)	(\$83,740)
Income Tax	1,575,180	2,193,963	(618,783)
Paramedic	170,610	90,455	80,155
Fire and EMS	76,781	60,534	16,247
Fire Protection	98,998	97,234	1,764
General Bond	2,000	2,000	0
Other Governmental	1,009,119	1,337,493	(328,374)
Total	<u>\$2,764,437</u>	<u>\$3,697,168</u>	<u>(\$932,731)</u>

## **CITY OF LOVELAND, OHIO**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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

	2008 <u>Revenues</u>	2007 <u>Revenues</u>	Increase (Decrease)
Property Taxes	\$911,428	\$893,588	\$17,840
Intergovernmental Revenues	980,522	702,523	277,999
Charges for Services	518,780	489,787	28,993
Licenses and Permits	92,605	100,258	(7,653)
Fines and Forfeitures	119,080	127,055	(7,975)
All Other Revenue	<u>83,497</u>	<u>24,612</u>	<u>58,885</u>
Total	<u><u>\$2,705,912</u></u>	<u><u>\$2,337,823</u></u>	<u><u>\$368,089</u></u>

General Fund revenues in 2008 increased 15.7% compared to revenues in fiscal year 2007. The most significant factor contributing to this increase was the increase in intergovernmental revenues, mainly due to the higher estate tax collections.

	2008 <u>Expenditures</u>	2007 <u>Expenditures</u>	Increase (Decrease)
Security of Persons and Property	\$2,774,387	\$2,455,262	\$319,125
Community Environment	203,022	202,433	589
General Government	1,974,032	1,603,369	370,663
Principal Retirement	45,900	45,900	0
Interest and Fiscal Charges	<u>20,304</u>	<u>22,404</u>	<u>(2,100)</u>
Total	<u><u>\$5,017,645</u></u>	<u><u>\$4,329,368</u></u>	<u><u>\$688,277</u></u>

General Fund expenditures increased by \$688,277 over the prior year mostly due to increases in salary, insurance and fuel costs.

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 2008 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$2.6 million did not significantly change over the original budget estimates of \$2.3 million. 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, 2008*

*Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal 2008 the City had \$37,613,042 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$22,518,918 was related to governmental activities and \$15,094,124 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$3,842,681	\$3,869,234	(\$26,553)
Construction In Progress	0	378,051	(378,051)
Buildings	7,339,130	6,517,209	821,921
Improvements Other than Buildings	1,475,452	1,257,908	217,544
Machinery and Equipment	4,495,402	4,092,971	402,431
Infrastructure	19,403,088	19,449,517	(46,429)
Less: Accumulated Depreciation	(14,036,835)	(13,298,105)	(738,730)
Totals	\$22,518,918	\$22,266,785	\$252,133

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$242,540	\$250,168	(\$7,628)
Construction in Progress	0	58,334	(\$58,334)
Buildings & Improvements	2,607,324	2,610,596	(3,272)
Utility Structures in Service	15,461,647	15,395,283	66,364
Infrastructure	4,221,290	4,162,956	58,334
Machinery and Equipment	394,408	328,559	65,849
Less: Accumulated Depreciation	(7,833,085)	(7,484,919)	(348,166)
Totals	\$15,094,124	\$15,320,977	(\$226,853)

The primary increase occurred in buildings. For additional information on the City's capital assets see Note 6.



## **CITY OF LOVELAND, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Unaudited**

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### **Debt**

At December 31, 2008, the City had \$7,130,000 in bonds outstanding, \$610,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds	\$4,295,000	\$4,685,000
Deferred Loss on Refundings	(49,673)	(55,192)
Ohio Public Works Commission Loans	2,716,949	2,763,737
Capital Leases Payable	14,514	42,841
Compensated Absences	999,907	932,406
Police Pension Accrued Liability	34,050	34,737
Total Governmental Activities	<u>\$8,010,747</u>	<u>\$8,403,529</u>
Business-Type Activities:		
General Obligation Bonds	\$2,835,000	\$3,015,000
Capital Leases Payable	28,397	42,890
Compensated Absences	241,524	169,254
Total Business-Type Activities	<u>3,104,921</u>	<u>3,227,144</u>
Totals	<u>\$11,115,668</u>	<u>\$11,630,673</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, 2008, 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 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.

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.

## ***CITY OF LOVELAND, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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### **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 Harry Steger, 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, 2008*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 943,888	\$ 748,338	\$ 1,692,226
Investments	1,004,178	1,534,832	2,539,010
Receivables:			
Taxes	3,743,697	0	3,743,697
Accounts	0	847,900	847,900
Intergovernmental	604,782	0	604,782
Interest	10,877	0	10,877
Special Assessments	72,650	0	72,650
Inventory of Supplies at Cost	72,851	25,157	98,008
Land Held for Resale	2,519,341	0	2,519,341
Restricted Assets:			
Cash and Cash Equivalents	3,917	237,213	241,130
Cash and Cash Equivalents with Fiscal Agent	18,677	0	18,677
Capital Assets:			
Capital Assets Not Being Depreciated	3,842,681	242,540	4,085,221
Capital Assets Being Depreciated	18,676,237	14,851,584	33,527,821
<b>Total Assets</b>	<b>31,513,776</b>	<b>18,487,564</b>	<b>50,001,340</b>
<b>Liabilities:</b>			
Accounts Payable	137,894	467,154	605,048
Accrued Wages and Benefits	284,892	52,056	336,948
Matured Bonds & Interest Payable	18,677	0	18,677
Deferred Revenue	3,322,329	0	3,322,329
Accrued Interest Payable	40,722	10,086	50,808
General Obligation Notes Payable	1,605,000	0	1,605,000
Long Term Liabilities:			
Due Within One Year	852,471	219,140	1,071,611
Due in More Than One Year	7,158,276	2,885,781	10,044,057
<b>Total Liabilities</b>	<b>13,420,261</b>	<b>3,634,217</b>	<b>17,054,478</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	13,937,128	12,231,619	26,168,747
Restricted For:			
Capital Projects	559,530	0	559,530
Other Purposes	2,745,722	0	2,745,722
Unrestricted	851,135	2,621,728	3,472,863
<b>Total Net Assets</b>	<b>\$ 18,093,515</b>	<b>\$ 14,853,347</b>	<b>\$ 32,946,862</b>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2008**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 5,343,477	\$ 180,356	\$ 11,384	\$ 0
Leisure Time Activities	517,700	20,000	0	0
Community Environment	203,022	92,605	0	0
Transportation	1,035,895	18,000	660,038	835,491
General Government	3,299,585	518,780	0	0
Interest and Fiscal Charges	240,374	0	0	0
<b>Total Governmental Activities</b>	<b>10,640,053</b>	<b>829,741</b>	<b>671,422</b>	<b>835,491</b>
<b>Business-Type Activities:</b>				
Water	1,422,913	1,266,286	0	116,009
Sewer	2,764,222	2,329,042	0	0
Stormwater	557,324	388,463	0	0
Sanitation	1,089,836	1,209,719	32,983	0
<b>Total Business-Type Activities</b>	<b>5,834,295</b>	<b>5,193,510</b>	<b>32,983</b>	<b>116,009</b>
<b>Totals</b>	<b>\$ 16,474,348</b>	<b>\$ 6,023,251</b>	<b>\$ 704,405</b>	<b>\$ 951,500</b>

**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**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,151,737)	\$ 0	\$ (5,151,737)
(497,700)	0	(497,700)
(110,417)	0	(110,417)
477,634	0	477,634
(2,780,805)	0	(2,780,805)
(240,374)	0	(240,374)
<u>(8,303,399)</u>	<u>0</u>	<u>(8,303,399)</u>
0	(40,618)	(40,618)
0	(435,180)	(435,180)
0	(168,861)	(168,861)
0	152,866	152,866
0	(491,793)	(491,793)
<u>(8,303,399)</u>	<u>(491,793)</u>	<u>(8,795,192)</u>
3,072,053	0	3,072,053
2,824,928	0	2,824,928
1,218,060	0	1,218,060
159,585	0	159,585
460,112	0	460,112
338,337	(338,337)	0
<u>8,073,075</u>	<u>(338,337)</u>	<u>7,734,738</u>
(230,324)	(830,130)	(1,060,454)
<u>18,323,839</u>	<u>15,683,477</u>	<u>34,007,316</u>
<u>\$ 18,093,515</u>	<u>\$ 14,853,347</u>	<u>\$ 32,946,862</u>

## CITY OF LOVELAND, OHIO

### *Balance Sheet* *Governmental Funds* *December 31, 2008*

	General Fund	Income Tax Fund	Paramedic Fund	Fire and EMS Fund
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1	\$ 303,656	\$ 170,861	\$ 102,491
Investments	0	651,641	0	0
Receivables:				
Taxes	1,232,571	68,367	1,100,778	585,320
Intergovernmental	178,517	0	28,037	53,378
Interest	0	0	0	0
Special Assessments	0	0	0	0
Interfund Loans Receivables	0	625,000	0	0
Inventory of Supplies, at Cost	250	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Land Held for Resale	0	0	0	0
<b>Total Assets</b>	<b>\$ 1,411,339</b>	<b>\$ 1,648,664</b>	<b>\$ 1,299,676</b>	<b>\$ 741,189</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 68,570	\$ 14,173	\$ 251	\$ 25,710
Accrued Wages and Benefits Payable	240,618	10,958	0	0
Matured Bonds and Interest Payable	0	0	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	1,238,844	48,353	1,128,815	638,698
Compensated Absences Payable	31,558	0	0	0
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,579,590</b>	<b>73,484</b>	<b>1,129,066</b>	<b>664,408</b>
<b>Fund Balances:</b>				
Reserved for Supplies Inventory	250	0	0	0
Reserved for Debt Service	0	0	0	0
Unreserved, Undesignated in:				
General Fund	(168,501)	0	0	0
Special Revenue Funds	0	1,575,180	170,610	76,781
Capital Projects Funds	0	0	0	0
<b>Total Fund Balances (Deficits)</b>	<b>(168,251)</b>	<b>1,575,180</b>	<b>170,610</b>	<b>76,781</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,411,339</b>	<b>\$ 1,648,664</b>	<b>\$ 1,299,676</b>	<b>\$ 741,189</b>

See accompanying notes to the basic financial statements

## CITY OF LOVELAND, OHIO

Fire Protection Fund	General Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ 101,393	\$ 2,000	\$ 263,486	\$ 943,888
0	0	352,537	1,004,178
756,661	0	0	3,743,697
36,159	0	308,691	604,782
0	0	10,877	10,877
0	0	72,650	72,650
0	0	0	625,000
0	0	72,601	72,851
0	0	3,917	3,917
0	18,677	0	18,677
0	0	2,519,341	2,519,341
<u>\$ 894,213</u>	<u>\$ 20,677</u>	<u>\$ 3,604,100</u>	<u>\$ 9,619,858</u>
\$ 2,395	\$ 0	\$ 26,795	\$ 137,894
0	0	33,316	284,892
0	18,677	0	18,677
0	0	625,000	625,000
792,820	0	281,374	4,128,904
0	0	0	31,558
0	0	23,496	23,496
0	0	1,605,000	1,605,000
<u>795,215</u>	<u>18,677</u>	<u>2,594,981</u>	<u>6,855,421</u>
0	0	72,601	72,851
0	2,000	729	2,729
0	0	0	(168,501)
98,998	0	379,710	2,301,279
0	0	556,079	556,079
<u>98,998</u>	<u>2,000</u>	<u>1,009,119</u>	<u>2,764,437</u>
<u>\$ 894,213</u>	<u>\$ 20,677</u>	<u>\$ 3,604,100</u>	<u>\$ 9,619,858</u>



**CITY OF LOVELAND, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2008***

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<b>Total Governmental Fund Balances</b>		\$ 2,764,437
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		22,518,918
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	179,216	
Income Taxes	48,353	
Intergovernmental Revenues	576,076	
Investment Earnings	2,930	<u>806,575</u>
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	(4,295,000)	
Deferred Loss on Debt Defeasance	49,673	
OPWC Public Works Commission Loans	(2,716,949)	
Capital Leases	(14,514)	
Compensated Absences Payable	(968,349)	
Police/Fire Accrued Pension Liability	(34,050)	
Accrued Interest Payable	<u>(17,226)</u>	<u>(7,996,415)</u>
<b><i>Net Assets of Governmental Activities</i></b>		<b><u><u>\$ 18,093,515</u></u></b>

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, 2008**

	General Fund	Income Tax Fund	Paramedic Fund	Fire and EMS Fund
<b>Revenues:</b>				
Property Taxes	\$ 911,428	\$ 0	\$ 938,499	\$ 499,768
Municipal Income Tax	0	2,807,415	0	0
Intergovernmental Revenues	980,522	0	105,085	54,826
Charges for Services	518,780	0	60,000	0
Licenses and Permits	92,605	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	119,080	0	0	0
All Other Revenue	83,497	100,607	106,188	36,073
<b>Total Revenue</b>	<u>2,705,912</u>	<u>2,908,022</u>	<u>1,209,772</u>	<u>590,667</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,774,387	0	1,129,617	375,219
Leisure Time Activities	0	0	0	0
Community Environment	203,022	0	0	0
Transportation	0	0	0	0
General Government	1,974,032	859,744	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	45,900	5,000	0	133,980
Interest & Fiscal Charges	20,304	2,080	0	65,221
<b>Total Expenditures</b>	<u>5,017,645</u>	<u>866,824</u>	<u>1,129,617</u>	<u>574,420</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,311,733)	2,041,198	80,155	16,247
<b>Other Financing Sources (Uses):</b>				
Issuance of OPWC Loans	0	0	0	0
Transfers In	2,229,682	0	0	0
Transfers Out	0	(2,659,981)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>2,229,682</u>	<u>(2,659,981)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(82,051)	(618,783)	80,155	16,247
<b>Fund Balances at Beginning of Year</b>	(84,511)	2,193,963	90,455	60,534
Increase (Decrease) in Inventory Reserve	(1,689)	0	0	0
<b>Fund Balances End of Year</b>	<u>\$ (168,251)</u>	<u>\$ 1,575,180</u>	<u>\$ 170,610</u>	<u>\$ 76,781</u>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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Fire Protection Fund	General Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ 641,408	\$ 0	\$ 82,881	\$ 3,073,984
0	0	0	2,807,415
71,183	0	680,334	1,891,950
0	0	0	578,780
0	0	38,000	130,605
0	0	164,384	164,384
0	0	1,276	120,356
0	0	133,747	460,112
<u>712,591</u>	<u>0</u>	<u>1,100,622</u>	<u>9,227,586</u>
710,827	0	330	4,990,380
0	0	350,259	350,259
0	0	0	203,022
0	0	644,154	644,154
0	0	384,034	3,217,810
0	0	426,210	426,210
0	304,428	139,903	629,211
0	33,909	124,691	246,205
<u>710,827</u>	<u>338,337</u>	<u>2,069,581</u>	<u>10,707,251</u>
1,764	(338,337)	(968,959)	(1,479,665)
0	0	192,423	192,423
0	338,337	430,299	2,998,318
0	0	0	(2,659,981)
<u>0</u>	<u>338,337</u>	<u>622,722</u>	<u>530,760</u>
1,764	0	(346,237)	(948,905)
97,234	2,000	1,337,493	3,697,168
0	0	17,863	16,174
<u>\$ 98,998</u>	<u>\$ 2,000</u>	<u>\$ 1,009,119</u>	<u>\$ 2,764,437</u>

**CITY OF LOVELAND, OHIO**

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***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, 2008***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (948,905)

***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	1,592,882	
Depreciation Expense	<u>(1,114,958)</u>	477,924

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. (225,791)

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

Decrease in Property Tax Revenue	(1,931)	
Increase in Income Tax Revenue	17,513	
Increase in Intergovernmental Revenue	3,802	
Decrease in Investment Income	<u>(4,799)</u>	14,585

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (192,423)

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	390,000	
Deferred Loss on Bond Refunding	(5,519)	
Ohio Public Works Commission Loans	239,211	
Police/Fire Accrued Pension Payment	687	
Capital Leases Payable	<u>28,327</u>	652,706

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 11,349

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	(35,943)	
Change in Inventory	<u>16,174</u>	<u>(19,769)</u>

***Change in Net Assets of Governmental Activities*** **\$ (230,324)**

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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 901,000	\$ 912,000	\$ 911,428	\$ (572)
Intergovernmental Revenue	661,700	949,500	948,484	(1,016)
Charges for Services	510,600	518,600	518,780	180
Licenses and Permits	100,000	95,000	92,605	(2,395)
Fines and Forfeitures	145,000	120,000	119,080	(920)
All Other Revenues	20,000	84,100	83,497	(603)
Total Revenues	<u>2,338,300</u>	<u>2,679,200</u>	<u>2,673,874</u>	<u>(5,326)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,633,200	2,728,880	2,705,093	23,787
Community Environment	197,550	203,300	203,071	229
General Government	1,736,842	1,961,616	1,929,187	32,429
Debt Service:				
Principal Retirement	45,900	45,900	45,900	0
Interest and Fiscal Charges	20,304	20,304	20,304	0
Total Expenditures	<u>4,633,796</u>	<u>4,960,000</u>	<u>4,903,555</u>	<u>56,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,295,496)	(2,280,800)	(2,229,681)	51,119
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,970,884	2,281,000	2,229,682	(51,318)
Total Other Financing Sources (Uses):	<u>1,970,884</u>	<u>2,281,000</u>	<u>2,229,682</u>	<u>(51,318)</u>
Net Change in Fund Balance	(324,612)	200	1	(199)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (324,612)</u>	<u>\$ 200</u>	<u>\$ 1</u>	<u>\$ (199)</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 - Income Tax Fund  
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal Income Tax	\$ 3,069,000	\$ 3,049,940	\$ 3,080,011	\$ 30,071
All Other Revenues	0	100,660	100,607	(53)
Total Revenues	<u>3,069,000</u>	<u>3,150,600</u>	<u>3,180,618</u>	<u>30,018</u>
<b>Expenditures:</b>				
Current:				
General Government	2,246,101	1,758,036	888,545	869,491
Debt Service:				
Principal Retirement	5,000	5,000	5,000	0
Interest and Fiscal Charges	2,080	2,080	2,080	0
Total Expenditures	<u>2,253,181</u>	<u>1,765,116</u>	<u>895,625</u>	<u>869,491</u>
Excess of Revenues Over Expenditures	815,819	1,385,484	2,284,993	899,509
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(2,805,746)	(2,715,300)	(2,659,981)	55,319
Advances In	0	954,600	954,584	(16)
Advances Out	0	(1,579,584)	(1,579,584)	0
Total Other Financing Sources (Uses):	<u>(2,805,746)</u>	<u>(3,340,284)</u>	<u>(3,284,981)</u>	<u>55,303</u>
Net Change in Fund Balance	(1,989,927)	(1,954,800)	(999,988)	954,812
Fund Balance at Beginning of Year	<u>1,955,285</u>	<u>1,955,285</u>	<u>1,955,285</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (34,642)</u>	<u>\$ 485</u>	<u>\$ 955,297</u>	<u>\$ 954,812</u>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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**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, 2008**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 898,800	\$ 938,000	\$ 938,499	\$ 499
Intergovernmental Revenue	30,681	100,000	105,085	5,085
Charges for Services	60,000	60,000	60,000	0
All Other Revenues	0	106,000	106,188	188
Total Revenues	989,481	1,204,000	1,209,772	5,772
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,203,362	1,319,703	1,155,389	164,314
Total Expenditures	1,203,362	1,319,703	1,155,389	164,314
Net Change in Fund Balance	(213,881)	(115,703)	54,383	170,086
Fund Balance at Beginning of Year	116,478	116,478	116,478	0
Fund Balance at End of Year	\$ (97,403)	\$ 775	\$ 170,861	\$ 170,086

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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 477,000	\$ 499,000	\$ 499,768	\$ 768
Intergovernmental Revenue	54,451	54,800	54,826	26
All Other Revenues	0	30,000	36,073	6,073
Total Revenues	531,451	583,800	590,667	6,867
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	426,920	442,699	352,876	89,823
Debt Service:				
Principal Retirement	133,980	133,980	133,980	0
Interest and Fiscal Charges	65,221	65,221	65,221	0
Total Expenditures	626,121	641,900	552,077	89,823
Net Change in Fund Balance	(94,670)	(58,100)	38,590	96,690
Fund Balance at Beginning of Year	63,901	63,901	63,901	0
Fund Balance at End of Year	\$ (30,769)	\$ 5,801	\$ 102,491	\$ 96,690

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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**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, 2008**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 597,400	\$ 643,000	\$ 641,408	\$ (1,592)
Intergovernmental Revenue	56,866	89,700	71,183	(18,517)
Total Revenues	654,266	732,700	712,591	(20,109)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	787,900	830,253	709,641	120,612
Total Expenditures	787,900	830,253	709,641	120,612
Net Change in Fund Balance	(133,634)	(97,553)	2,950	100,503
Fund Balance at Beginning of Year	98,443	98,443	98,443	0
Fund Balance at End of Year	\$ (35,191)	\$ 890	\$ 101,393	\$ 100,503

See accompanying notes to the basic financial statements

## CITY OF LOVELAND, OHIO

### *Statement of Net Assets Proprietary Funds December 31, 2008*

	Water	Sewer	Stormwater	Sanitation	Total
<b>Assets:</b>					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 551,486	\$ 110,415	\$ 53,310	\$ 33,127	\$ 748,338
Investments	1,183,480	236,950	114,402	0	1,534,832
<i>Receivables:</i>					
Accounts	108,826	457,811	77,185	204,078	847,900
Inventory of Supplies at Cost	23,975	297	88	797	25,157
<i>Restricted Assets:</i>					
Cash and Cash Equivalents	237,213	0	0	0	237,213
<b>Total Current Assets</b>	<b>2,104,980</b>	<b>805,473</b>	<b>244,985</b>	<b>238,002</b>	<b>3,393,440</b>
<i>Non Current Assets:</i>					
<i>Capital Assets:</i>					
Capital Assets Not Being Depreciated	183,050	59,490	0	0	242,540
Capital Assets Being Depreciated	9,621,787	1,434,480	3,769,442	25,875	14,851,584
<b>Total Assets</b>	<b>11,909,817</b>	<b>2,299,443</b>	<b>4,014,427</b>	<b>263,877</b>	<b>18,487,564</b>
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	38,758	360,970	472	66,954	467,154
Accrued Wages and Benefits	24,682	3,586	14,596	9,192	52,056
Accrued Interest Payable	5,672	7	4,342	65	10,086
<b>Total Current Liabilities</b>	<b>69,112</b>	<b>364,563</b>	<b>19,410</b>	<b>76,211</b>	<b>529,296</b>
<i>Long Term Liabilities:</i>					
Compensated Absences Payable	134,814	35,773	19,677	51,260	241,524
Capital Leases Payable	0	815	815	26,767	28,397
General Obligation Bonds Payable	1,510,000	0	1,325,000	0	2,835,000
<b>Total Liabilities</b>	<b>1,713,926</b>	<b>401,151</b>	<b>1,364,902</b>	<b>154,238</b>	<b>3,634,217</b>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	8,294,837	1,493,155	2,443,627	0	12,231,619
Unrestricted	1,901,054	405,137	205,898	109,639	2,621,728
<b>Total Net Assets</b>	<b>\$ 10,195,891</b>	<b>\$ 1,898,292</b>	<b>\$ 2,649,525</b>	<b>\$ 109,639</b>	<b>\$ 14,853,347</b>

See accompanying notes to the basic financial statements

## CITY OF LOVELAND, OHIO

### Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2008

	Water	Sewer	Stormwater	Sanitation	Total
<b>Operating Revenues:</b>					
Charges for Services	\$ 1,255,828	\$ 2,328,622	\$ 385,474	\$ 1,208,277	\$ 5,178,201
Other Operating Revenue	8,881	420	2,989	1,442	13,732
<b>Total Operating Revenues</b>	<b>1,264,709</b>	<b>2,329,042</b>	<b>388,463</b>	<b>1,209,719</b>	<b>5,191,933</b>
<b>Operating Expenses:</b>					
Personal Services	407,981	75,183	155,654	156,541	795,359
Contractual Services	418,142	2,593,522	181,857	898,927	4,092,448
Materials and Supplies	78,998	22,793	14,772	20,941	137,504
Basic Utility Services	157,992	0	243	0	158,235
Depreciation	286,807	67,173	131,353	892	486,225
<b>Total Operating Expenses</b>	<b>1,349,920</b>	<b>2,758,671</b>	<b>483,879</b>	<b>1,077,301</b>	<b>5,669,771</b>
Operating Income (Loss)	(85,211)	(429,629)	(95,416)	132,418	(477,838)
<b>Nonoperating Revenue (Expenses):</b>					
Intergovernmental Grants	0	0	0	32,983	32,983
Investment Earnings	1,577	0	0	0	1,577
Interest Expense	(72,993)	(46)	(60,410)	(8,535)	(141,984)
Loss on Disposal of Capital Assets	0	(5,505)	(13,035)	(4,000)	(22,540)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(71,416)</b>	<b>(5,551)</b>	<b>(73,445)</b>	<b>20,448</b>	<b>(129,964)</b>
Income (Loss) Before Transfers and Contributions	(156,627)	(435,180)	(168,861)	152,866	(607,802)
<b>Transfers and Contributions:</b>					
Transfers Out	(273,158)	0	(53,685)	(11,494)	(338,337)
Capital Contributions	116,009	0	0	0	116,009
<b>Total Transfers and Contributions</b>	<b>(157,149)</b>	<b>0</b>	<b>(53,685)</b>	<b>(11,494)</b>	<b>(222,328)</b>
Change in Net Assets	(313,776)	(435,180)	(222,546)	141,372	(830,130)
Net Assets Beginning of Year	10,509,667	2,333,472	2,872,071	(31,733)	15,683,477
Net Assets End of Year	<b>\$ 10,195,891</b>	<b>\$ 1,898,292</b>	<b>\$ 2,649,525</b>	<b>\$ 109,639</b>	<b>\$ 14,853,347</b>

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2008**

	Business-Type Activities				
	Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	Total
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$1,459,833	\$2,298,816	\$390,486	\$1,025,994	\$5,175,129
Cash Payments for Goods and Services	(623,896)	(2,255,831)	(196,649)	(919,473)	(3,995,849)
Cash Payments to Employees	(364,649)	(57,700)	(137,133)	(148,833)	(708,315)
Net Cash Provided (Used) by Operating Activities	<u>471,288</u>	<u>(14,715)</u>	<u>56,704</u>	<u>(42,312)</u>	<u>470,965</u>
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers Out to Other Funds	(273,158)	0	(53,685)	(11,494)	(338,337)
Net Cash Used by Noncapital Financing Activities	<u>(273,158)</u>	<u>0</u>	<u>(53,685)</u>	<u>(11,494)</u>	<u>(338,337)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(139,136)	(2,354)	(20,387)	(18,276)	(180,153)
Intergovernmental Grants	0	0	0	32,983	32,983
Principal Paid on General Obligation Bonds	(120,000)	0	(60,000)	0	(180,000)
Interest Paid on All Debt	(73,444)	(68)	(61,001)	(8,849)	(143,362)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(332,580)</u>	<u>(2,422)</u>	<u>(141,388)</u>	<u>5,858</u>	<u>(470,532)</u>
<u>Cash Flows from Investing Activities:</u>					
Sale of Investments	(37,585)	(13,710)	73,058	49,655	71,418
Net Cash Provided (Used) by Investing Activities	<u>(37,585)</u>	<u>(13,710)</u>	<u>73,058</u>	<u>49,655</u>	<u>71,418</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(172,035)	(30,847)	(65,311)	1,707	(266,486)
Cash and Cash Equivalents at Beginning of Year	960,734	141,262	118,621	31,420	1,252,037
Cash and Cash Equivalents at End of Year	<u>\$788,699</u>	<u>\$110,415</u>	<u>\$53,310</u>	<u>\$33,127</u>	<u>\$985,551</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$551,486	\$110,415	\$53,310	\$33,127	\$748,338
Restricted Cash and Cash Equivalents	237,213	0	0	0	237,213
Cash and Cash Equivalents at End of Year	<u>\$788,699</u>	<u>\$110,415</u>	<u>\$53,310</u>	<u>\$33,127</u>	<u>\$985,551</u>

## CITY OF LOVELAND, OHIO

	Business-Type Activities				
	Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	Total
<u>Reconciliation of Operating Income (Loss) to</u>					
<u>Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	(\$85,211)	(\$429,629)	(\$95,416)	\$132,418	(\$477,838)
Adjustments to Reconcile Operating Income (Loss) to					
<u>Net Cash Provided (Used) by Operating Activities:</u>					
Depreciation Expense	286,807	67,173	131,353	892	486,225
Nonoperating Revenue	1,577	0	0	0	1,577
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	193,547	(30,226)	2,023	(183,725)	(18,381)
(Increase) Decrease in Inventory	1,205	(297)	0	(422)	486
Decrease in Prepaid Items	5,695	0	1,675	1,675	9,045
Increase (Decrease) in Accounts Payable	24,336	360,781	(1,452)	(858)	382,807
Increase in Accrued Wages and Benefits	4,373	845	9,520	36	14,774
Increase in Compensated Absences	38,959	16,638	9,001	7,672	72,270
Total Adjustments	<u>556,499</u>	<u>414,914</u>	<u>152,120</u>	<u>(174,730)</u>	<u>948,803</u>
Net Cash Provided (Used) by Operating Activities	<u>\$471,288</u>	<u>(\$14,715)</u>	<u>\$56,704</u>	<u>(\$42,312)</u>	<u>\$470,965</u>

Schedule of Noncash Investing, Capital and Financing Activities:

The Water Fund received \$116,009 of capital assets contributed by developers.

See accompanying notes to the basic financial statements

**CITY OF LOVELAND, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2008***

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	<u>Agency</u>
<b>Assets:</b>	
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	\$ 10,274
<b>Total Assets</b>	<u>\$ 10,274</u>
<b>Liabilities:</b>	
Due to Others	\$ 10,274
<b>Total Liabilities</b>	<u>\$ 10,274</u>

See accompanying notes to the basic financial statements

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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 Fund - 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.

Income Tax - This fund is used to account for the receipts and distribution of the City's income tax collections.

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

Fire & EMS - This fund is used to account for the operation of the City's fire and EMS department.

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

General Bond - This fund is used to account for the accumulation of resources for, and the payment of, the City's long-term debt obligations.

***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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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 withheld by employers, 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, 2008 but which are not intended to finance 2008 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 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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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 2008.

## *CITY OF LOVELAND, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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, 2008**

**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	Income Tax Fund	Paramedic Fund	Fire & EMS Fund	Fire Protection Fund
GAAP Basis (as reported)	(\$82,051)	(\$618,783)	\$80,155	\$16,247	\$1,764
Increase (Decrease):					
Accrued Revenues at December 31, 2008 received during 2009	(172,244)	(645,014)	0	0	0
Accrued Revenues at December 31, 2007 received during 2008	140,206	292,610	0	0	0
Accrued Expenditures at December 31, 2008 paid during 2009	340,746	25,131	251	25,710	2,395
Accrued Expenditures at December 31, 2007 paid during 2008	(242,710)	(53,932)	(26,023)	(11,986)	(1,209)
2008 Prepays for 2009	0	0	0	0	0
2007 Prepays for 2008	16,054	0	0	8,619	0
Budget Basis	<u>\$1</u>	<u>(\$999,988)</u>	<u>\$54,383</u>	<u>\$38,590</u>	<u>\$2,950</u>

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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 2008. 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, 2008.

##### **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**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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### **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:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (Years)</u>
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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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

**J. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Fund Income Tax Fund Fire and EMS Fund Street Maintenance Fund Recreation Capital Improvement Fund North End TIF Fund General Bond Fund Water Fund Stormwater Fund
Ohio Public Works Commission Loans	General Bond Fund
Capital Leases	General Fund Fire and EMS Fund Street Maintenance Fund Recreation Capital Improvement Fund Sewer Fund Sanitation Fund Stormwater 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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, 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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 and debt service.

##### **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. 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.

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## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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**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 \$2,416,159 and the bank balance was \$2,371,465. Federal depository insurance covered \$2,195,100 of the bank balance and \$176,365 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	\$176,365
Total Balance	\$176,365

**B. Investments**

The City's investments at December 31, 2008 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)
			less than 1
Repurchase Agreements	\$532,831	N/A	\$532,831
STAR Ohio	1,051,317	AAA <sup>m</sup> <sup>1</sup>	1,051,317
FHLB	501,010	AAA <sup>1</sup> /Aaa <sup>2</sup>	501,010
Total Investments	\$2,085,158		\$2,085,158

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

## **CITY OF LOVELAND, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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, 50.4% are in STAR Ohio, 24.0% are FHLB, and the remaining 25.6% is in a repurchase agreement.

*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	\$1,962,307	\$2,539,010
Certificates of Deposit (with maturities of more than 3 months)	2,038,000	(2,038,000)
Repurchase Agreements	(532,831)	532,831
STAR Ohio	(1,051,317)	1,051,317
Per GASB Statement No. 3	<u>\$2,416,159</u>	<u>\$2,085,158</u>

\* Includes Cash with Fiscal Agent

## *CITY OF LOVELAND, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, 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.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is assessed for ad valorem taxation purposes at 6.25%. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder is payable by September 20.

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 and 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% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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



## **CITY OF LOVELAND, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 3 – TAXES (Continued)**

##### **A. Property Taxes (Continued)**

The assessed values upon which the 2008 property tax receipts were based were as follows:

	<u>County</u>		
	<u>Hamilton</u>	<u>Clermont</u>	<u>Warren</u>
Real Property:			
Residential/Agricultural	\$214,981,940	\$46,076,950	\$26,316,460
Personal Property:			
Tangible Personal Property	2,684,910	499,876	34,340
Public Utility Personal Property	<u>3,618,460</u>	<u>735,970</u>	<u>213,370</u>
Total Assessed Value	<u>\$221,285,310</u>	<u>\$47,312,796</u>	<u>\$26,564,170</u>
Tax Rate/Assessed Value	\$10.35/\$1,000	\$9.9/\$1,000	\$10.07/\$1,000

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

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

#### **NOTE 4 - RECEIVABLES**

Receivables at December 31, 2008 consisted of property and income taxes, accounts receivable, interest, special assessments, and intergovernmental receivables arising from shared revenues.

**CITY OF LOVELAND, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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**NOTE 5 – TRANSFERS AND INTERFUND ACTIVITY**

**A. Transfers**

Following is a summary of transfers in and out for all funds for 2008:

Fund	Transfers In	Transfers Out
General Fund	\$2,229,682	\$0
Income Tax Fund	0	2,659,981
General Bond Fund	338,337	0
Nonmajor Governmental Funds	430,299	0
Total Governmental Funds	2,998,318	2,659,981
Enterprise Fund:		
Water	0	273,158
Stormwater	0	53,685
Sanitation	0	11,494
Total Enterprise Funds	0	338,337
Totals	\$2,998,318	\$2,998,318

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 Enterprise funds provided transfers to the debt service fund during the year to retire a portion of debt paid by governmental activities. Transfers out of the Income Tax Fund were made according in accordance with City ordinances.

**B. Interfund Activity**

Interfund balances at December 31, 2008 consist of the following individual fund receivables and payables:

Fund	Interfund Loan Receivable	Interfund Loan Payable
Income Tax Fund	\$625,000	\$0
Nonmajor Governmental Funds	0	625,000
Totals	\$625,000	\$625,000

The interfund loan balances result from the Income Tax Fund's advance of monies to Nonmajor Governmental Funds to assist the fund's cashflow. The advance is scheduled to be repaid during the 2009 fiscal year.

**CITY OF LOVELAND, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**NOTE 6 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2008:

**Historical Cost:**

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<b>Capital assets not being depreciated:</b>				
Land	\$3,869,234	\$0	(\$26,553)	\$3,842,681
Construction in Progress	378,051	0	(378,051)	0
<b>Capital assets being depreciated:</b>				
Buildings	6,517,209	919,373	(97,452)	7,339,130
Improvements other than Buildings	1,257,908	217,544	0	1,475,452
Machinery and Equipment	4,092,971	834,016	(431,585)	4,495,402
Infrastructure	19,449,517	0	(46,429)	19,403,088
Total Cost	<u>\$35,564,890</u>	<u>\$1,970,933</u>	<u>(\$980,070)</u>	<u>\$36,555,753</u>

**Accumulated Depreciation:**

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(1,294,463)	(147,633)	28,314	(1,413,782)
Improvements other than Buildings	(979,050)	(36,861)	0	(1,015,911)
Machinery and Equipment	(2,518,300)	(581,234)	302,270	(2,797,264)
Infrastructure	(8,506,292)	(349,230)	45,644	(8,809,878)
Total Depreciation	<u>(\$13,298,105)</u>	<u>(\$1,114,958) *</u>	<u>\$376,228</u>	<u>(\$14,036,835)</u>
<b>Net Value:</b>	<u>\$22,266,785</u>			<u>\$22,518,918</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$325,857
Leisure Time Activities	119,067
Transportation	416,751
General Government	253,283
Total Depreciation Expense	<u>\$1,114,958</u>

**CITY OF LOVELAND, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**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, 2008:

**Historical Cost:**

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$250,168	\$0	(\$7,628)	\$242,540
Construction In Progress	58,334	0	(58,334)	0
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	2,610,596	0	(3,272)	2,607,324
Utility Structures in Service	15,395,283	192,423	(126,059)	15,461,647
Infrastructure	4,162,956	58,334	0	4,221,290
Machinery and Equipment	328,559	87,246	(21,397)	394,408
Total Cost	<u>\$22,805,896</u>	<u>\$338,003</u>	<u>(\$216,690)</u>	<u>\$22,927,209</u>

**Accumulated Depreciation:**

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings and Improvements	(\$1,071,664)	(\$69,234)	\$1,989	(\$1,138,909)
Utility Structures in Service	(4,855,044)	(310,616)	114,673	(5,050,987)
Infrastructure	(1,368,649)	(77,515)	0	(1,446,164)
Machinery and Equipment	(189,562)	(28,860)	21,397	(197,025)
Total Depreciation	<u>(\$7,484,919)</u>	<u>(\$486,225)</u>	<u>\$138,059</u>	<u>(\$7,833,085)</u>

**Net Value:**

	<u>\$15,320,977</u>			<u>\$15,094,124</u>
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## *CITY OF LOVELAND, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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, 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 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 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; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. 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, 2008, 2007, and 2006 were \$163,042, \$174,489 and \$295,461, respectively, which were equal to the required contributions for each year.

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **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 2008, 12.75% of annual covered salary for police, was the portion used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$154,710, \$147,159 and \$125,818 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.

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.

## **CITY OF LOVELAND, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 2008, 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. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. 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, 2008, 2007, and 2006 were \$163,042, \$114,932 and \$144,520, 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.

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 2008, 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, 2008, 2007, and 2006 were \$81,905, \$77,907 and \$82,954 for police, which were equal to the required contributions for each year.



**CITY OF LOVELAND, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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**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 increased \$67,501 from a beginning year balance of \$932,406 to a year-end balance of \$999,907.

At December 31, 2008 the total accumulated unpaid sick leave time recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	27,253	\$817,467
Vacation	<u>5,895</u>	<u>182,440</u>
Total	<u><u>33,148</u></u>	<u><u>\$999,907</u></u>

Compensated absences attributable to the Enterprise Funds of \$241,524 have been recorded within the Enterprise Funds and are not included in the above figures.

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**CITY OF LOVELAND, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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**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, 2008	Issued	(Retired)	Balance December 31, 2008
Capital Projects Notes Payable:					
3.90% Recreation Land Acquisition	03/23/07	\$250,000	\$0	(\$250,000)	\$0
3.00% Recreation Land Acquisition	03/20/08	0	250,000	0	250,000
1.63% Downtown Revitalization	02/26/08	0	955,000	0	955,000
3.25% Downtown Revitalization	08/26/08	0	400,000	0	400,000
Total Capital Project Notes Payable		<u>\$250,000</u>	<u>\$1,605,000</u>	<u>(\$250,000)</u>	<u>\$1,605,000</u>

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## CITY OF LOVELAND, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2008

#### NOTE 11 - LONG-TERM OBLIGATIONS

Long-term obligations of the City at December 31, 2008 were as follows:

		Balance December 31, 2007	Issued	(Retired)	Balance December 31, 2008	Amount Due Within One Year
<b>Business-Type Activities:</b>						
General Obligation Bonds:						
1998 Water System Improvement	4.37%	\$1,630,000	\$0	(\$120,000)	\$1,510,000	\$125,000
2003 Stormwater System	3.00%	865,000	0	(40,000)	825,000	40,000
2005 Stormwater System	4.48%	235,000	0	(10,000)	225,000	10,000
2007 Stormwater System	4.25%	285,000	0	(10,000)	275,000	10,000
Total General Obligation Bonds		<u>3,015,000</u>	<u>0</u>	<u>(180,000)</u>	<u>2,835,000</u>	<u>185,000</u>
Other Long-Term Obligations:						
Compensated Absences		169,254	72,270	0	241,524	28,844
Capital Leases		42,890	26,767	(41,260)	28,397	5,296
Total Other Long-Term Obligations		<u>212,144</u>	<u>99,037</u>	<u>(41,260)</u>	<u>269,921</u>	<u>34,140</u>
Total Business-Type Activities		<u>\$3,227,144</u>	<u>\$99,037</u>	<u>(\$21,260)</u>	<u>\$3,104,921</u>	<u>\$219,140</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2002 Various Purpose Bonds	3.25%	\$910,000	\$0	(\$45,000)	\$865,000	\$45,000
2003 City Hall-HVAC System	3.00%	50,000	0	(5,000)	45,000	5,000
2003 Fire Truck Acquisition	3.00%	430,000	0	(65,000)	365,000	70,000
2005 Various Purpose Refunding Bonds	4.25%	1,630,000	0	(135,000)	1,495,000	140,000
2005 Deferred Loss on Refunding		(55,192)	0	5,519	(49,673)	(5,519)
2005 P.W. Vehicles	4.23%	70,000	0	(35,000)	35,000	35,000
2005 North End T.I.F.	4.16%	490,000	0	(65,000)	425,000	65,000
2007 Christman Park Land T.I.F.	4.13%	650,000	0	0	650,000	25,000
2007 P.W. Buildings	4.13%	455,000	0	(40,000)	415,000	40,000
Total General Obligation Bonds		<u>4,629,808</u>	<u>0</u>	<u>(384,481)</u>	<u>4,245,327</u>	<u>419,481</u>
Ohio Public Works Commission Loans:						
1993 Hanna Avenue Waterline	0.00%	57,477	0	(11,496)	45,981	11,495
1993 State Route 48 Waterline	3.00%	9,009	0	(9,009)	0	0
1994 Park Avenue Waterline	3.00%	11,483	0	(11,483)	0	0
1994 East Loveland Avenue	3.00%	135,010	0	(17,607)	117,403	18,140
1994 West Booster	3.00%	102,951	0	(14,571)	88,380	15,012
1995 Lever Water Tower	3.00%	321,618	0	(31,629)	289,989	32,584
1996 Maderia Road Waterline	0.00%	253,338	0	(28,148)	225,190	28,149
1999 State Route 48 North	3.00%	153,275	0	(16,278)	136,997	13,682
2002 West Loveland Waterline	0.00%	217,500	0	(15,000)	202,500	15,000
2003 West Loveland Avenue	0.00%	275,048	0	(16,670)	258,378	16,670
2004 Elyson Extension	0.00%	405,203	0	(23,836)	381,367	23,836
2005 Walker Extension	0.00%	334,822	0	(19,134)	315,688	19,132
2007 Downtown Water Line	0.00%	487,003	0	(24,350)	462,653	24,350
2008 Broadway and Hanna	0.00%	0	192,423	0	192,423	9,621
Total Ohio Public Works Commission Loans		<u>2,763,737</u>	<u>192,423</u>	<u>(239,211)</u>	<u>2,716,949</u>	<u>227,671</u>
Other Long-Term Obligations:						
Compensated Absences		932,406	999,907	(932,406)	999,907	190,089
Capital Leases		42,841	0	(28,327)	14,514	14,514
Police and Firemen's Pension Accrued Liability		34,737	0	(687)	34,050	716
Total Other Long-Term Obligations		<u>1,009,984</u>	<u>999,907</u>	<u>(961,420)</u>	<u>1,048,471</u>	<u>205,319</u>
Total Governmental Activities		<u>\$8,403,529</u>	<u>\$1,192,330</u>	<u>(\$1,585,112)</u>	<u>\$8,010,747</u>	<u>\$852,471</u>

**CITY OF LOVELAND, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**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, 2008 was \$57,023 in principal and interest payments through the year 2035. Only the principal amount due of \$34,050 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, 2008, follows:

Years	General Obligation Bonds		OPWC Loans		Police Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$610,000	\$300,606	\$227,671	\$14,426	\$716	\$1,439
2010	605,000	278,016	229,662	12,435	746	1,408
2011	615,000	254,994	231,713	10,384	778	1,376
2012	640,000	230,627	233,826	8,272	812	1,343
2013	665,000	204,849	224,507	6,094	847	1,308
2014-2018	2,725,000	633,433	842,651	6,884	4,813	5,961
2019-2023	985,000	198,946	520,544	0	5,941	4,836
2024-2028	285,000	29,476	206,375	0	7,330	3,445
2029-2033	0	0	0	0	9,061	1,731
2034-2035	0	0	0	0	3,006	126
Totals	<u>\$7,130,000</u>	<u>\$2,130,947</u>	<u>\$2,716,949</u>	<u>\$58,495</u>	<u>\$34,050</u>	<u>\$22,973</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 \$1,425,000 at December 31, 2008, 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 12 - CAPITAL LEASE COMMITMENTS**

Under several capital leases the City leases phone and computer equipment, a public safety radio communication system, an ambulance, three trucks, and a street sweeper for the police, fire, street and recreation departments. The cost of the leased assets and the related liability are accounted for in the Governmental Activities and Business-type funds capital assets and long-term debt accounts. The original cost of the assets under capital lease is \$176,766.

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, 2008:

<u>Year Ending December 31,</u>	<u>Governmental Capital Leases</u>	<u>Business-Type Capital Leases</u>
2009	\$14,767	\$6,113
2010	0	5,941
2011	0	5,941
2012	0	5,941
2013	0	5,941
2014	0	1,485
Minimum Lease Payments	<u>14,767</u>	<u>31,362</u>
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(253)</u>	<u>(2,965)</u>
Present value of minimum lease payments	<u><u>\$14,514</u></u>	<u><u>\$28,397</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. In 1997, the City joined the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

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

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

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

## ***CITY OF LOVELAND, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 14 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficit at December 31, 2008 of \$168,251 in the General Fund arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The Income Tax Fund provides transfers when cash is required, not when accruals occur.

#### **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 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, 2009 and 2008, which collectively comprise the City of Loveland, Ohio's basic financial statements, and have issued our report thereon dated September 24, 2010. 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 audits, we considered the City of Loveland, Ohio'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 of Loveland, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Loveland, Ohio'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 of Loveland, Ohio'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated September 24, 2010.

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.

A handwritten signature in black ink that reads "Bastin & Company, LLC". The signature is written in a cursive style and is centered within a light gray rectangular box.

Cincinnati, Ohio  
September 24, 2010





# 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 25, 2011**