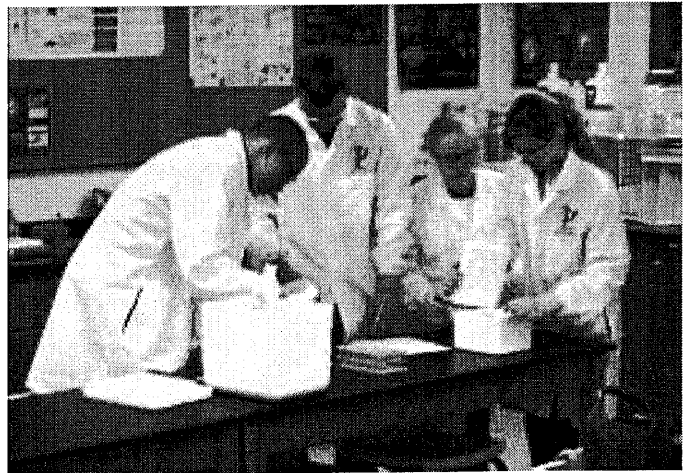
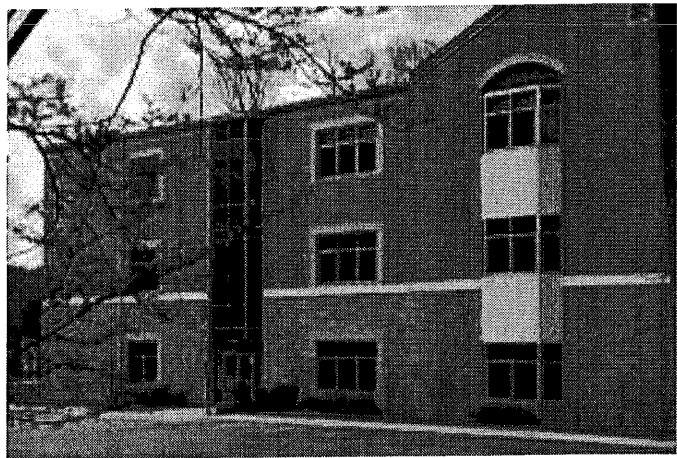




Comprehensive Annual Financial Report



Loveland City School District
Loveland, Ohio
For the Fiscal Year Ending June 30, 2005

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**Auditor of State
Betty Montgomery**

Board of Education
Loveland City School District
757 South Lebanon Rd.
Loveland, OH 45140

We have reviewed the *Independent Auditor's Report* of the Loveland City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 Loveland City School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 20, 2006

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**LOVELAND CITY SCHOOL DISTRICT
LOVELAND, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**PREPARED BY:
OFFICE OF THE TREASURER
JILL MANVILLE, TREASURER/CFO**

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INTRODUCTORY SECTION

Comprehensive Annual Financial Report
For the Fiscal Year Ending June, 30, 2005

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Loveland City School District

757 S. Lebanon Road • Loveland, Ohio 45140

Telephone (513) 683-5600

Fax (513) 683-5697

To The Citizens and Board of Education
of the Loveland City School District:

The Comprehensive Annual Financial Report [CAFR] of the Loveland City School District [District] for the fiscal year ended June 30, 2005, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from the Plattenburg & Associates, Inc. and conforms to Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the taxpayers of the Loveland City School District with comprehensive financial data in a format, which will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

The Comprehensive Annual Financial Report is divided into three sections:

The **Introductory Section** includes a table of contents, this transmittal letter, a list of principal officials, the District's organization chart, the District's consultants and advisors, the GFOA and ASBO certificates the District received for the June 30, 2004 CAFR. Also included are the District's major current and future initiatives.

The **Financial Section** includes the independent accountants' report on the financial statements, management's discussion and analysis, basic financial statements, notes to the basic financial statements, required supplementary information, notes to the required supplementary information, and the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.

The **Statistical Section** includes selective financial, economic and demographic information, generally presented on a multi-year basis for comparative purposes.

The District provides a full range of traditional and non-traditional educational programs and services. These include elementary and secondary curriculum offerings at the general, college preparatory and career-technical levels; a broad range of cocurricular and extracurricular activities; and special education programs. Post-secondary enrollment options are also offered.

The District receives pass through grants from the State and distributes these grants to parochial/private schools located within the District. This activity is included in the entity as the Auxiliary Services Special Revenue Fund, because of the District's administrative involvement in the program. The parochial/private schools served are: St. Columban and Children's Meeting House Montessori School. While these organizations share operational and service similarity with the District, each is a legally separate and distinct entity. Because of their independent nature, none of these organizations are included in this report.

ECONOMIC CONDITION AND OUTLOOK

The District is just northeast of the city of Cincinnati. The School's community lies in the corners of the counties of Hamilton, Clermont and Warren and is comprised of approximately 10.6 square miles. The District surrounds the City of Loveland and overlaps portions of the townships of Symmes, Miami, Hamilton and Goshen.

Property tax revenues of the residential/agricultural class predominantly support Loveland City Schools. Through the continued conversion of agricultural land into upscale residential properties being inhabited by well-educated upper middle-class families, Loveland City Schools is secure in its economic future in that the community understands and supports the value of education not just for sustaining property values, but because of the intrinsic value it has brought to their own lives and their desire to insure this for the children.

The District is as stable as the region in which the community works. Since Loveland City Schools is the largest employer within the District's boundaries, it is safe to say that the District's economic stability is as broad based as the businesses in Cincinnati and surrounding areas, which employ these taxpayers.

The District is continually challenged by the responsibility bestowed upon it by the community at large. We are always striving to provide the very best opportunities to every student, while carefully guarding the District's resources.

THE DISTRICT AND ITS FACILITIES

The District now houses 4,342 students in one high school, one middle school, one intermediate school and three elementary schools.

CONSTRUCTED	SCHOOL ADDRESS	OCTOBER 2005 ENROLLMENT
1963	Loveland Early Childhood Center 6740 Loveland Miamiville Road	387
1957	Loveland Primary School 550 Loveland Maderia Road	703
1941	Loveland Elementary School 600 Loveland Madeira Road	640
2000	Loveland Intermediate School 757 South Lebanon Road	673
1962	Loveland Middle School 801 South Lebanon Road	685
1992	Loveland High School 1 Tiger Trail	1,254

ORGANIZATION OF THE SCHOOL DISTRICT

The Board of Education is a 5 member body politic and corporate, as defined by Section 3313.02 of the Ohio Revised Code. The Board serves as the taxing authority, contracting body, policy maker and ensures that all the general laws of the State of Ohio are followed in the expenditures of the District's tax dollars and approves the annual appropriation resolution and tax budget.

The Board members represent a cross section of professions in the community. The Board members on June 30, 2005, were as follows:

BOARD MEMBER	BEGAN SERVICE	TERM EXPIRES	PROFESSION
Dr. Kathryn Lorenz	November, 1991	December, 2007	Professor
Mrs. Christine Olsen	January, 2002	December, 2005	Business Manager
Dr. James L. Kolp	January, 2000	December, 2007	Physician
Dr. Judy McClanahan	January, 1998	December, 2005	Homemaker
Mrs. Linda Pennington	January, 1996	December, 2005	Homemaker

The Superintendent is the chief executive officer of the District and responsible directly to the Board of Education for educational and support operations. Dr. Kevin Boys was appointed Superintendent in July of 2002. Prior to his appointment in Loveland, Dr. Boys served as a teacher, principal, and assistant superintendent in Sycamore Community School District for 23 years. Dr. Boys graduated summa cum laude from the University of Cincinnati, received a Master of Education degree from Xavier University and earned his doctorate degree in Educational Leadership from Miami University.

The Treasurer is the chief financial officer of the District who reports directly to the Board of Education. The Treasurer/CFO is responsible for maintaining all financial records, issuing all payments, maintaining custody of all District funds and assets and investing idle funds as specified by Ohio law. Ms. Manville spent the first four years of her career as Assistant Auditor with the State of Ohio. The next four years of her career were spent in the corporate sector as Senior Assistant/Buyer for Honda International Trade. In 1994, she accepted the position of Treasurer of Triad Local School District in North Lewisburg, Ohio. In March of 1999, she was selected Treasurer/CFO of Loveland City School District. Ms. Manville holds a Bachelor of Science Degree in Business Administration from Urbana University. In 1997, she was inducted in Sigma Beta Delta's National Honor Society in Business, Management and Administration. Ms. Manville graduated from the Ohio Association of School Business Officials Leadership Academy in November of 2003. Ms. Manville is currently seeking her Master's degree in Business Administration at Xavier University, Cincinnati, Ohio.

EMPLOYEE RELATIONS

The District currently has approximately 648 full-time employees. The number of employees has been steady for the last several years. During the 2005 fiscal year, the District paid from its General Fund \$20,434,480 in salaries and wages, and \$6,586,236 in fringe benefits, such as retirement contributions, workers' compensation and life and health benefits.

The District's teachers are represented for collective bargaining purposes by the Loveland Education Association [LEA]. The District has a collective bargaining agreement with LEA which expires June 30, 2007. The District's classified employees are represented for collective bargaining purposes by the Ohio Association of Public School Employees [OAPSE]. The District has a collective bargaining agreement with OAPSE which expires June 30, 2007.

SERVICES PROVIDED

The District provides a wide variety of educational and support services, as mandated by the Ohio Revised Code or board directives.

Transportation is provided for over 5,424 students each day. The District fleet of buses travels over 3,386 miles each day transporting to 24 different sites. In addition to making more than 302 daily runs, the department transported both public and non-public students on 934 extra-curricular trips during the year.

The food service department served 198,785 plate lunches through the District's five kitchens. This is accomplished through the full operation of three kitchens (one kitchen services two adjoining buildings, each having their own dining room) and two satellite sites.

In addition to transportation and school lunch support services, students in the District also receive guidance, psychological and limited health services free of charge. The guidance services are designed to help students match their natural skills with vocational and/or academic programs to help them achieve their full potential in life. Psychological services include the testing and identification of students for special education services.

Health services are provided by district registered nurses and health aides at each of the six school sites.

The District offers regular instructional programs daily to students in grades K-12. There are approximately 47 students in the specific trades through career-technical education. Over 455 students receive special services, due to identified disabilities. In grades 3-8, approximately 120 students participated in the gifted program. The District presented 267 high school diplomas in 2005.

LOVELAND SCHOOLS

FOCUS STATEMENT

Loveland School District provides the experiences that empower each student to develop and use personal strengths to maximize individual potential.

Loveland Schools will continue to:

- Foster individual achievement according to desires, needs, interests and abilities
- Demonstrate flexibility in creatively meeting the needs of the school community
- Prioritize the allocation of resources accordingly

This is demonstrated by designation of academic “excellence,” success of individual students, and continued financial support of the community.

LOVELAND SCHOOLS GUIDING PRINCIPLES

Student academic achievement is our primary product.

- We are student focused
- We seek to be recognized for student academic achievement
- We inspire and enable students in academic achievement
- We affirm students for academic performance

We build cooperative relationships with all parties who contribute to fulfilling our purpose. This includes students, staff, parents and community.

- Interests of school and community are inseparable and interdependent
- We show respect for all individuals and work to build confidence and trust
- We develop close, mutually productive, cooperative relationships with the community
- We communicate clearly, broadly and honestly with all stakeholders

We are a learning community:

- We believe that it is the responsibility of all individuals to continually develop themselves and other members of the learning community
- We value personal achievement
- We value professional achievement
- We recognize achievement is broader than academics alone

Ideas and concepts are evaluated as they relate to our vision and strategies:

- Both innovative and proven programs will contribute to the success of Loveland schools
- Research data is used to evaluate programs prior to their implementation
- Benchmarks are used to evaluate the performance of ongoing programs
- Flexibility is an important aspect for the use of resources in our school system

SUMMARY OF RESULTS

For the fifth consecutive year, the Loveland City School District has earned the designation of “Excellent” on the Ohio Department of Education’s state report card, meeting 100% of the state’s 23 indicators. Only 10.5% of Ohio’s schools met 100% of the standards.

Each school district in Ohio is also given a performance index score. The score is a weighted average of all Ohio Achievement tests. The most weight is given to the advanced students and the weights then decrease for each performance level (accelerated, proficient, basic, below basic). This creates a scale of 0 to 120 points, with 100 being the goal. Loveland’s performance index score for 2004-2005 is 102.7, up from last year’s result of 100.8.

ACT scores for high school students taking the ACT increased in 2004-2005 in English, Mathematics, Reading, Science and the composite score. Loveland students continue to score above the state average in all areas.

Grad Year	Total Tested		English		Mathematics		Reading		Science		Composite	
	Local	State	Local	State	Local	State	Local	State	Local	State	Local	State
2003-2004	177	81,510	22.0	20.7	21.5	21.1	23.2	21.9	22.3	21.5	22.4	21.4
2004-2005	190	80,732	23.2	20.7	22.4	21.2	24.0	21.9	23.1	21.5	23.3	21.4

Under the federal “No Child Left Behind” legislation, the final goal for all students is to reach the proficient level in reading and mathematics by 2013-14. Until then, yearly goals are set requiring a specific percentage of students in 10 sub-groups, such as African American, Hispanic, White and those with special education needs on an Individualized Education Plan (IEP), to reach proficiency in these subjects. If any goal in any one of these sub-groups is missed, the district does not meet Adequate Yearly Progress (AYP) for the year. Loveland did not meet AYP for the 2004-05 school year because the IEP sub-group did not meet a proficiency level in mathematics or reading.

In order to maintain excellence, meet increasingly difficult AYP goals, and continue to demonstrate to our stakeholders a strong return on its investment in our schools, the Board identified four priorities to be initiated during the 2005-2006 school year:

1. Utilize data at classroom, school and district levels to drive curricular/instructional decisions and improve student achievement as measured by:
 - Growth in the district Performance Index
 - Meeting AYP target for math
 - Meeting AYP target for reading
 - Completion of an analysis of PSAT/SAT/ACT and Advanced Placement test participation and results
2. Continue to improve school climate as evidenced by:
 - Implementation of K-12 “I C.A.R.E.” program
 - Implementation of “Positive Behavior Supports” program in grades 1-4
 - Development of a district wellness policy

3. Develop a ten-year facilities utilization plan to meet expected growth in enrollment. Underlying assumptions include modest growth in enrollment and construction (if any) without an additional bond levy.
4. Given extreme price increases in utilities and fuel, explore ways to reduce energy consumption and further reduce other expenditures without sacrificing program quality.

BUSINESS-SCHOOL PARTNERSHIP PROGRAM

Partners in Education is a program that brings together businesses and schools in order to address specific educational needs. The business-school partnerships are formal, voluntary relationships between one school and one business. Partnerships match available resources with identified needs to meet mutually agreed upon goals and objectives. Partnerships also give those in the business community insight into the workings of the school and a better understanding of the needs of the educational system.

Loveland Schools enjoy a partnership with International Paper Company. Students have benefited from International Paper's support of science labs, environmental educational programs, an elementary library and professional development for teachers and administration.

In May of 2003, the Treasurer established the Loveland City School District Business Advisory Council. The committee is established to serve as an advisory group to the Treasurer and provide feedback and guidance to the Treasurer, Superintendent and Board of Education. Members of the committee are citizens of the Loveland City School District with business and/or financial background and a strong sense of community. The council meets on a regular basis to discuss matters related to school finance and inform the Treasurer and Superintendent of concerns related to financial issues.

FINANCIAL INFORMATION

The District's accounting system is organized on a "fund" basis. Each fund is a distinct, self-balancing entity. Records for general governmental operations are maintained on a budgetary basis system of accounting as prescribed by State statute. Cash basis accounting differs from generally accepted accounting principles [GAAP] as promulgated by the Governmental Accounting Standards Board [GASB].

INTERNAL ACCOUNTING AND BUDGETARY CONTROL

In developing the District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation is first adopted, the permanent appropriation measure must be adopted within three months.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are controlled at the fund level. All purchase order requests must be approved by the individual program managers and certified by the Treasurer; necessary funds are then encumbered and purchase orders are released to vendors.

The accounting system used by the District provides financial reports, which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date. In addition to the financial statements retained in the Treasurer's Office, each program manager can monitor their budgets by running interim financial reports.

As an additional safeguard, a blanket bond covers all employees involved with receiving and depositing funds and a separate, higher bond covers certain individuals in policy-making roles.

The basis of accounting and the various funds utilized by the District are fully described in the notes to the general purpose financial statements. Additional information on the District's budgetary accounts can also be found in the notes to the general purpose financial statements.

Management is responsible for preparing a Management's Discussion and Analysis of the District. This discussion follows this letter of transmittal, providing an assessment of the District's finances for 2005 and the outlook for the future.

CASH MANAGEMENT

The Board has an aggressive cash management program which consists of expediting the receipt of revenues and prudently investing available cash in obligations collateralized by the United States Government, or the State of Ohio issued instruments or insured by the Federal Deposit Insurance Corporation [FDIC]. The total amount of earnings on investments was \$387,232 for the year ended June 30, 2005.

The cash management program is designed to minimize cash on hand and maximize investment holdings. All investments are spread among available investment options to insure maximum interest rates.

The District's investment policy is to minimize market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by FDIC or collateralized. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

RISK MANAGEMENT

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force at June 30, 2005 is included in Note 16 of the notes to the basic financial statements.

INDEPENDENT AUDIT

Provisions of State statute require that the District's financial statements be subjected to an annual examination by an independent auditor. Plattenburg & Associates, Inc. rendered an unqualified opinion on the District's basic financial statements and it is included in the financial section of this Comprehensive Annual Financial Report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and is in conformance with that system.

AWARDS

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ASBO Certificate of Excellence

The Association of School Business Officials International [ASBO] awards a Certificate of Excellence in Financial Reporting to school districts that publish Comprehensive Annual Financial Reports which substantially conform to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. The award is granted only after an intensive review of the financial report by all expert panels of certified public accountants and practicing school business officials.

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2004. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2005, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

PAFR Outstanding Achievement Award


The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the District's Popular Annual Financial Report for the fiscal year ending June 30, 2004. This Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. The Popular Annual Financial Report for fiscal year 2005 will be submitted to GFOA for review and we believe it will conform to these high standards.

ACKNOWLEDGEMENTS

The preparation of the 2005 Comprehensive Annual Financial Report of the Loveland City School District was made possible by the combined efforts of the District's Finance Department and Plattenburg and Associates, Incorporated. The publication of this Comprehensive Annual Financial Report for the District is a major step in reinforcing the accountability of the District to the taxpayers of the community.

Respectfully submitted,



Jill D. Manville
Treasurer/CFO

LOVELAND CITY SCHOOL DISTRICT, OHIO

LIST OF PRINCIPAL OFFICIALS

June 30, 2005

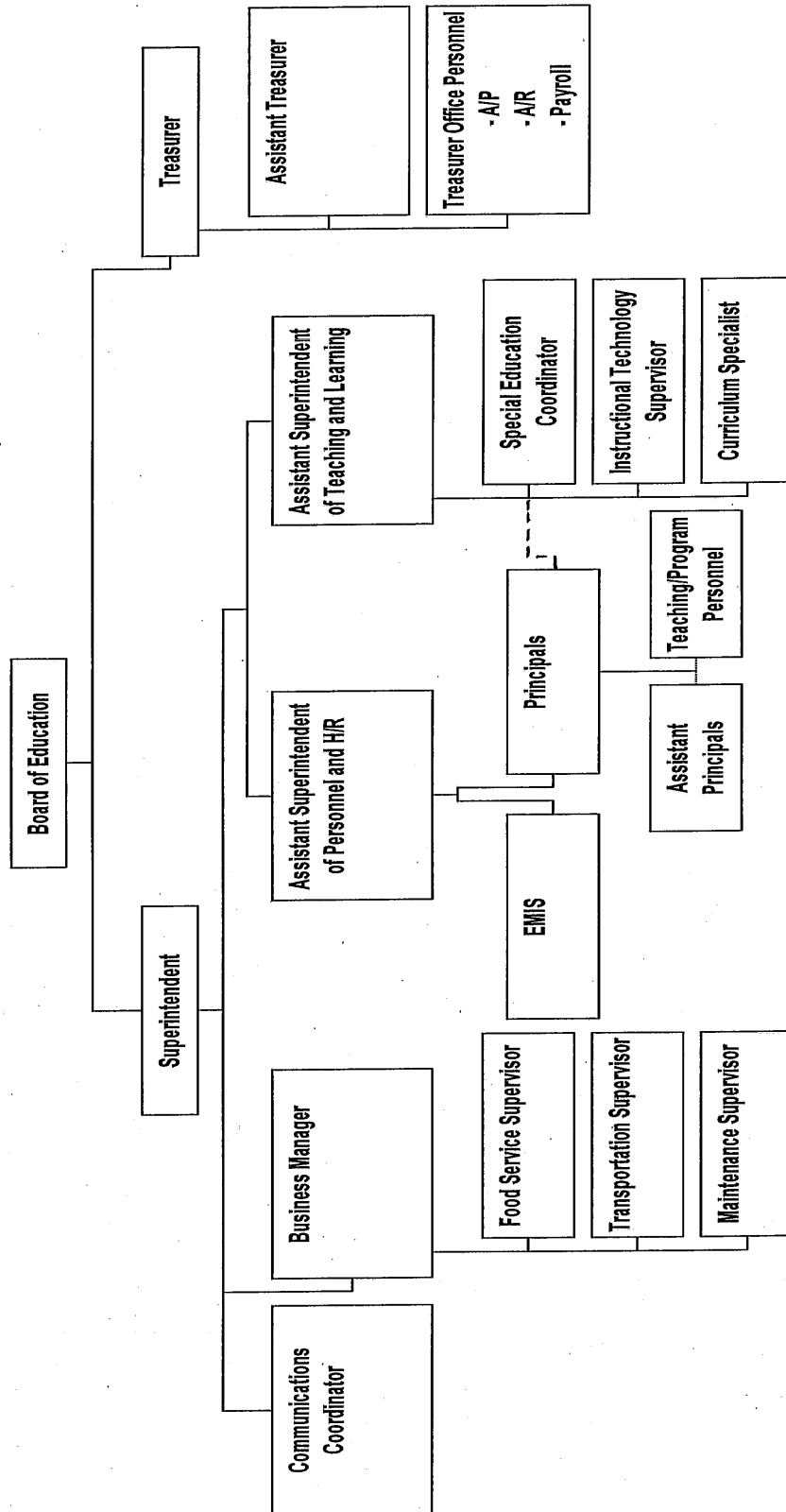
BOARD OF EDUCATION

President	Dr. Kathryn Lorenz
Vice President	Mrs. Christine Olsen
Board Member	Dr. James Kolp
Board Member	Dr. Judy McClanahan
Board Member	Mrs. Linda Pennington

ADMINISTRATIVE OFFICIALS

Superintendent	Dr. Kevin Boys
Treasurer/CFO	Ms. Jill Manville

Loveland City School District



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Loveland City
School District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

Loveland City School District

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



FINANCIAL SECTION

Comprehensive Annual Financial Report
For the Fiscal Year Ending June, 30, 2005

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November 14, 2005

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education
Loveland City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loveland City School District, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21, the District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2005, on our consideration of the District'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 and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Plattenburg & Associates, Inc.
Certified Public Accountants

LOVELAND CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The discussion and analysis of Loveland City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District'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 District's performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$5,789,953 which represents a 26% increase from 2004.
- General revenues accounted for \$42,793,417 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,725,588 or 8% of total revenues of \$46,519,005.
- Total assets of governmental activities increased by \$9,807,071 as taxes receivable decreased by \$1,806,728 and cash and other receivables increased by \$10,911,188.
- The District had \$40,729,052 in expenses related to governmental activities; \$3,725,588 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$42,793,417 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General, Debt Service and Permanent Improvement Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

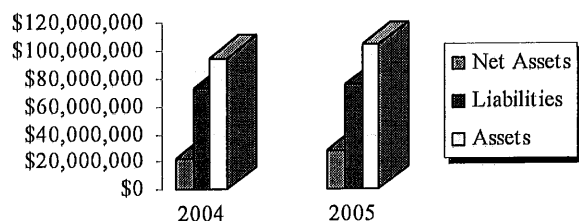
Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* 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 District'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 educational 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.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2005:

	<u>Governmental Activities</u>	
	<u>2004 Restated</u>	<u>2005</u>
Assets		
Current and Other Assets	\$43,322,976	\$52,699,698
Capital Assets	<u>50,995,026</u>	<u>51,425,375</u>
Total Assets	<u>94,318,002</u>	<u>104,125,073</u>
Liabilities		
Long-Term Liabilities	39,778,962	38,701,065
Other Liabilities	<u>31,867,006</u>	<u>36,962,021</u>
Total Liabilities	<u>71,645,968</u>	<u>75,663,086</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	9,329,726	15,408,992
Restricted	5,104,223	6,370,017
Unrestricted	<u>8,238,085</u>	<u>6,682,978</u>
Total Net Assets	<u>\$22,672,034</u>	<u>\$28,461,987</u>



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$28,461,987.

At year-end, capital assets represented 49% of total assets. Capital assets include land, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$15,408,992. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$6,370,017, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$6,682,978 may be used to meet the District's ongoing obligations to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

Table 2 shows the change in net assets for fiscal year 2004 with comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2004 Restated</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,479,064	\$1,760,237
Operating Grants	1,298,339	1,898,746
Capital Grants	31,894	66,605
General Revenue:		
Property Taxes	21,349,774	28,129,176
Grants and Entitlements	13,189,791	14,157,737
Other	<u>226,130</u>	<u>506,504</u>
Total Revenues	<u>37,574,992</u>	<u>46,519,005</u>
Program Expenses:		
Instruction	19,815,983	21,240,499
Support Services:		
Pupil and Instructional Staff	2,568,768	2,984,853
General Administration, School		
Administration, Fiscal and Business	3,709,137	3,959,272
Operations and Maintenance	3,023,853	3,141,681
Pupil Transportation	2,534,200	2,763,732
Central	1,006,940	976,129
Operation of Non-Instructional Services	1,623,593	1,586,249
Extracurricular Activities	896,560	1,030,666
Interest and Fiscal Charges	<u>1,802,179</u>	<u>3,045,971</u>
Total Expenses	<u>36,981,213</u>	<u>40,729,052</u>
Change in Net Assets	593,779	5,789,953
Beginning Net Assets	<u>22,078,255</u>	<u>22,672,034</u>
Ending Net Assets	<u>\$22,672,034</u>	<u>\$28,461,987</u>

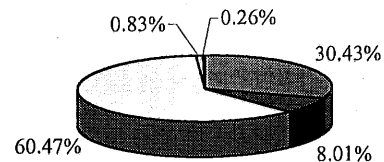
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 91% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 61% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$14,157,737	30.43%
Program Revenues	3,725,588	8.01%
General Tax Revenues	28,129,176	60.47%
Investment Earnings	387,232	0.83%
Other Revenues	119,272	0.26%
	<u>\$46,519,005</u>	<u>100.00%</u>



Instruction comprises 52% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses including interest expense were 14%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The increase in tax revenues is the result of more taxes available for advance in 2005 compared to 2004. The District also had an increase in the amount of grant monies received in 2005 compared to 2004.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2004 Restated</u>	<u>2005</u>	<u>2004 Restated</u>	<u>2005</u>
Instruction	\$19,815,983	\$21,240,499	(\$19,017,390)	(\$19,924,270)
Support Services:				
Pupil and Instructional Staff	2,568,768	2,984,853	(2,411,367)	(2,681,528)
General Administration, School Administration, Fiscal and Business	3,709,137	3,959,272	(3,691,442)	(3,941,370)
Operations and Maintenance	3,023,853	3,141,681	(3,023,493)	(3,126,624)
Pupil Transportation	2,534,200	2,763,732	(2,502,306)	(2,733,247)
Central	1,006,940	976,129	(964,092)	(949,184)
Operation of Non-Instructional Services	1,623,593	1,586,249	(261,822)	34,745
Extracurricular Activities	896,560	1,030,666	(497,825)	(636,015)
Interest and Fiscal Charges	<u>1,802,179</u>	<u>3,045,971</u>	<u>(1,802,179)</u>	<u>(3,045,971)</u>
Total Expenses	<u>\$36,981,213</u>	<u>\$40,729,052</u>	<u>(\$34,171,916)</u>	<u>(\$37,003,464)</u>

The District's Funds

The District has three major governmental funds: the General Fund, Debt Service Fund and Permanent Improvement Fund. Assets of the general fund comprised \$27,827,289 (53%), the debt service fund comprised \$8,359,511 (16%) and the permanent improvement fund comprised \$15,430,876 (29%) of the total \$52,455,371 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was \$10,987,282 an increase in fund balance of \$4,832,773 from 2004. The primary reason for the increase in fund balance was a large increase in tax revenue mainly due to an increase in taxes available for advance in 2005 compared to 2004.

Debt Service Fund: Fund balance at June 30, 2005 was \$5,501,268 including \$4,196,268 of unreserved balance. The increase in fund balance of \$1,174,059 from 2004, was mainly due to an increase in taxes revenue due to taxes available for advance in 2005 compared to 2004.

Permanent Improvement Fund: Fund balance at June 30, 2005 was (\$2,325,286) a decrease of \$2,246,399 from 2004. The decrease in fund balance was mainly due to an increase in capital outlay for the purchase of a new HVAC system and other improvements for the District's buildings.

General Fund Budgeting Highlights

The District'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 2005, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$33,075,045, compared to original budget estimates of \$33,022,008. Of the \$53,037 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance for the general fund was \$849,611 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$51,425,375 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2004 (Restated)</u>	<u>2005</u>
Land	\$1,436,356	\$1,436,356
Buildings and Improvements	47,216,347	46,526,575
Equipment	<u>2,342,322</u>	<u>3,462,444</u>
Total Net Capital Assets	<u>\$50,995,025</u>	<u>\$51,425,375</u>

The increase in capital assets is due to the purchase of computers for use in classrooms throughout the District.

See Note 6 in the notes to the basic financial statements for the details on the District's capital assets.

Debt

At June 30, 2005, the District had \$36,288,174 in debt outstanding, \$3,742,827 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2004</u>	Governmental Activities <u>2005</u>
Bonds and Notes Payable:		
1999 Bond Issue	\$1,600,000	\$0
1999 Bond Issue	34,295,734	8,334,467
Refunding Bonds:		
Current Interest Bonds –		
School Improvement	0	23,655,000
Capital Appreciation Bonds	0	1,326,267
Premium on Bonds	<u>0</u>	<u>1,881,333</u>
Subtotal Bonds	35,895,734	35,197,067
Capital Leases Payable:		
HVAC Lease	<u>991,566</u>	<u>827,107</u>
Subtotal Capital Leases Payable	<u>991,566</u>	<u>827,107</u>
Note Payable:		
2002 Note Issue	<u>278,000</u>	<u>264,000</u>
Subtotal Note Payable	<u>278,000</u>	<u>264,000</u>
Total Outstanding Debt at Year End	<u>\$37,165,300</u>	<u>\$36,288,174</u>

See Note 8 in the notes to the basic financial statements for the details on the District's long term obligations.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

With no increase in state funding projected, the District must increase revenues by submitting an operating levy to the community in the near future. At this time, the Board has not set the date and amount for the levy. Even though the District is projecting a slight decrease in enrollment, the need for increased revenues is projected for fiscal year 2005. This increased funding will be needed to provide all students a quality education. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jill Manville at Loveland City School District, 757 South Lebanon Road, Loveland, Ohio 45140.

Loveland City School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$25,410,669
Restricted Cash and Investments	468,676
Receivables:	
Taxes	26,520,527
Accounts	275
Deferred Bond Issuance Costs	271,791
Inventory	27,760
Nondepreciable Capital Assets	1,436,356
Depreciable Capital Assets, Net	<u>49,989,019</u>
 Total Assets	 <u>104,125,073</u>
Liabilities:	
Accounts Payable	107,999
Accrued Wages and Benefits	4,133,915
Retainage Payable	131,891
Accrued Interest Payable	193,122
Unearned Revenue	17,395,094
Tax Anticipation Notes Payable	15,000,000
Long-Term Liabilities:	
Due Within One Year	3,834,427
Due In More Than One Year	<u>34,866,638</u>
 Total Liabilities	 <u>75,663,086</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	15,408,992
Restricted for:	
Special Revenue	590,911
Debt Service	5,442,321
Set-Aside	336,785
Unrestricted	<u>6,682,978</u>
 Total Net Assets	 <u>\$28,461,987</u>

See accompanying notes to the basic financial statements.

Loveland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$16,810,454	\$455,851	\$259,794	\$36,120	(\$16,058,689)
Special	3,546,583	0	550,444	0	(2,996,139)
Vocational	650,989	0	0	0	(650,989)
Other	232,473	0	14,020	0	(218,453)
Support Services:					
Pupil	1,786,572	0	22,611	0	(1,763,961)
Instructional Staff	1,198,281	0	280,714	0	(917,567)
General Administration	131,085	0	0	0	(131,085)
School Administration	2,683,054	17,902	0	0	(2,665,152)
Fiscal	963,721	0	0	0	(963,721)
Business	181,412	0	0	0	(181,412)
Operations and Maintenance	3,141,681	0	15,057	0	(3,126,624)
Pupil Transportation	2,763,732	0	0	30,485	(2,733,247)
Central	976,129	0	26,945	0	(949,184)
Operation of Non-Instructional Services	1,586,249	891,833	729,161	0	34,745
Extracurricular Activities	1,030,666	394,651	0	0	(636,015)
Interest and Fiscal Charges	3,045,971	0	0	0	(3,045,971)
Total Governmental Activities	\$40,729,052	\$1,760,237	\$1,898,746	\$66,605	(37,003,464)

General Revenues:

Property Taxes Levied for:	
General Purposes	21,882,960
Debt Service Purposes	4,470,981
Capital Projects Purposes	1,775,235
Grants and Entitlements not Restricted to Specific Programs	14,157,737
Unrestricted Contributions	700
Investment Earnings	387,232
Other Revenues	118,572
Total General Revenues	42,793,417
Change in Net Assets	5,789,953
Net Assets Beginning of Year (Restated)	22,672,034
Net Assets End of Year	\$28,461,987

See accompanying notes to the basic financial statements.

Loveland City School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$7,949,613	\$4,196,268	\$12,455,129	\$809,659	\$25,410,669
Restricted Cash and Investments	336,785	0	131,891	0	468,676
Receivables:					
Taxes	19,513,428	4,163,243	2,843,856	0	26,520,527
Accounts	275	0	0	0	275
Interfund	27,188	0	0	276	27,464
Inventory	0	0	0	27,760	27,760
Total Assets	27,827,289	8,359,511	15,430,876	837,695	52,455,371
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	49,542	0	46,874	11,583	107,999
Accrued Wages and Benefits	3,902,437	0	23,741	207,737	4,133,915
Compensated Absences	50,000	0	0	0	50,000
Retainage Payable	0	0	131,891	0	131,891
Interfund Payable	0	0	0	27,464	27,464
Deferred Revenue	12,838,028	2,858,243	2,553,656	0	18,249,927
Tax Anticipation Notes Payable	0	0	15,000,000	0	15,000,000
Total Liabilities	16,840,007	2,858,243	17,756,162	246,784	37,701,196
Fund Balances:					
Reserved for Encumbrances	0	0	256,698	43,619	300,317
Reserved for Inventory	0	0	0	27,760	27,760
Reserved for Property Tax Advances	6,675,400	1,305,000	290,200	0	8,270,600
Reserved for Set-Aside	336,785	0	0	0	336,785
Unreserved, Undesignated, Reported in:					
General Fund	3,975,097	0	0	0	3,975,097
Special Revenue Funds	0	0	0	519,532	519,532
Debt Service Funds	0	4,196,268	0	0	4,196,268
Capital Projects Funds	0	0	(2,872,184)	0	(2,872,184)
Total Fund Balances	10,987,282	5,501,268	(2,325,286)	590,911	14,754,175
Total Liabilities and Fund Balances	\$27,827,289	\$8,359,511	\$15,430,876	\$837,695	\$52,455,371

See accompanying notes to the basic financial statements.

Loveland City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balance		\$14,754,175
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		51,425,375
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	<u>854,833</u>	854,833
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(193,122)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,362,891)</u>	(2,362,891)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		271,791
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(36,288,174)</u>
Net Assets of Governmental Activities		<u>\$28,461,987</u>

See accompanying notes to the basic financial statements.

Loveland City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$21,819,202	\$4,460,003	\$1,683,372	\$0	\$27,962,577
Tuition and Fees	453,401	0	0	13,060	466,461
Investment Earnings	361,179	0	22,604	3,449	387,232
Intergovernmental	13,494,314	522,249	185,680	1,920,847	16,123,090
Extracurricular Activities	0	0	0	381,591	381,591
Charges for Services	0	0	0	891,833	891,833
Other Revenues	109,987	0	0	29,634	139,621
Total Revenues	36,238,083	4,982,252	1,891,656	3,240,414	46,352,405
Expenditures:					
Current:					
Instruction:					
Regular	15,193,073	0	584,816	235,499	16,013,388
Special	3,118,511	0	0	316,069	3,434,580
Vocational	182,120	0	0	0	182,120
Other	232,473	0	0	0	232,473
Support Services:					
Pupil	1,561,502	0	1,509	250,363	1,813,374
Instructional Staff	826,876	0	25,853	313,177	1,165,906
General Administration	131,085	0	0	0	131,085
School Administration	2,726,491	4,785	31,582	0	2,762,858
Fiscal	899,416	62,903	21,360	0	983,679
Business	179,026	0	74	0	179,100
Operations and Maintenance	2,609,239	0	510,777	0	3,120,016
Pupil Transportation	2,311,939	0	324,671	0	2,636,610
Central	549,227	0	129,653	55,707	734,587
Operation of Non-Instructional Services	192,673	0	0	1,369,446	1,562,119
Extracurricular Activities	664,576	0	0	363,095	1,027,671
Capital Outlay	0	0	2,170,344	189,751	2,360,095
Debt Service:					
Principal Retirement	0	2,580,000	178,459	0	2,758,459
Interest and Fiscal Charges	0	1,160,505	158,957	0	1,319,462
Total Expenditures	31,378,227	3,808,193	4,138,055	3,093,107	42,417,582
Excess of Revenues Over (Under) Expenditures	4,859,856	1,174,059	(2,246,399)	147,307	3,934,823
Other Financing Sources (Uses):					
Payments to Refunded Bond Escrow Agent	0	(26,862,582)	0	0	(26,862,582)
Proceeds of Refunding Bonds	0	24,981,249	0	0	24,981,249
Refunding Bond Premium	0	1,881,333	0	0	1,881,333
Transfers In	0	0	0	27,083	27,083
Transfers (Out)	(27,083)	0	0	0	(27,083)
Total Other Financing Sources (Uses)	(27,083)	0	0	27,083	0
Net Change in Fund Balance	4,832,773	1,174,059	(2,246,399)	174,390	3,934,823
Fund Balance Beginning of Year (Restated)	6,154,509	4,327,209	(78,887)	416,521	10,819,352
Fund Balance End of Year	\$10,987,282	\$5,501,268	(\$2,325,286)	\$590,911	\$14,754,175

See accompanying notes to the basic financial statements.

Loveland City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance - Total Governmental Funds \$3,934,823

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	2,317,998	
Depreciation Expense	<u>(1,887,648)</u>	430,350

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

Delinquent Property Taxes	<u>166,600</u>	
		166,600

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

2,758,459

Interest expense in the statement of activities differs from the amount
 reported in governmental funds for two reasons. Additional accrued
 interest was calculated for bonds and notes payable, and the difference
 arising from the advance refunding due to premium and bond issuance
 costs.

Accrued Interest	(116,967)	
Advance Refunding Difference	<u>(1,609,542)</u>	(1,726,509)

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 governmental funds.

Compensated Absences	<u>226,230</u>	
		<u>226,230</u>

Change in Net Assets of Governmental Activities \$5,789,953

See accompanying notes to the basic financial statements.

Loveland City School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2005

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$112,026</u>
Total Assets	<u>\$112,026</u>
Liabilities:	
Accounts Payable	275
Other Liabilities	<u>111,751</u>
Total Liabilities	<u>\$112,026</u>

See accompanying notes to the basic financial statements.

**LOVELAND CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

1. DESCRIPTION OF THE DISTRICT

The Loveland City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Loveland City School District is a city school district as defined by Section 3311.02, Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Management believes the financial statements included in this report represent all of the funds of the District for which the Board of Education has fiscal responsibility.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

PAROCHIAL SCHOOLS

Within the District boundaries, Holy Family School is operated through the Saint Columbia Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the District, as directed by the parochial school. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

The District is associated with two jointly governed organizations and two public entity risk pools. These organizations are:

Jointly Governed Organizations:

Southwest Ohio Computer Association

Hamilton Clermont Cooperative Association / Unified Purchasing Association

Public Entity Risk Pools:

Greater Cincinnati Insurance Consortium

Ohio School Boards Association Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District'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 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 District, 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 District.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds (except agency funds) are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government 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.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Permanent Improvement – The capital projects fund is used to account for all transactions related to acquiring, constructing or improving such permanent improvements as are authorized by Chapter 5705, Revised Code.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two fiduciary funds which are both agency funds. The student activities fund is used to account for assets and liabilities generated by student managed activities. The fund accounts for sales and other revenue generating activities by student activity programs, which have students involved in the management of the program. The Section 125 plan accounts for monies voluntarily withheld from employees on a pre-tax basis to reimburse employees for medical and dental expenses not covered by group insurance.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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 June 30, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year amounted to \$361,179, which includes \$22,604 assigned from other District funds.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-40 years
Equipment	3-15 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	25-30 days per year or 2.08-2.50 per month	10-25 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	30 days Payoff up to 10 days/yr. unused earned	Double the maximum accumulated
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	325 days	325 days	325 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/3 paid upon retirement	1/3 paid upon retirement	1/3 paid upon retirement

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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

INTERFUND ASSETS/LIABILITIES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund "receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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/expenses to the funds that initially paid for them are not presented on the financial statements.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, property tax advances and set-asides. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

ESTIMATES

The preparation of 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.

RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. Restricted assets in the permanent improvement fund represent cash and cash equivalents set aside to a retainage reserve. A corresponding fund balance reserve has also been established.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$5,275,976 of the District's bank balance of \$5,375,976 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Commercial Paper	\$1,000,000	0.09
U.S. Agencies	19,700,000	1.35
STAROhio	1,020	0.00
Total Fair Value	<u>\$20,701,020</u>	
Portfolio Weighted Average Maturity		1.29

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAA by Standards & Poor’s. The District’s investments in U.S. Agencies and in Commercial Paper were rated AAA by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investors Service.

Concentration of credit risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested more than 95% of the District’s investments in U.S. Agency securities.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

4. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$6,675,400 for General Fund, \$1,305,000 for Debt Service and \$290,200 for Permanent Improvement, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$608,057,380
Public Utility Personal	11,013,710
Tangible Personal Property	<u>14,055,939</u>
Total	<u>\$633,127,029</u>

5. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts, and interfund. All receivables are considered collectible in full.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
<i>Capital Assets not being depreciated:</i>				
Land	\$1,436,356	\$0	\$0	\$1,436,356
<i>Capital Assets being depreciated:</i>				
Buildings and Improvements	74,466,924	671,773	0	75,138,697
Equipment	<u>5,037,330</u>	<u>1,646,225</u>	<u>(1,200)</u>	<u>6,682,355</u>
Totals at Historical Cost	<u>80,940,610</u>	<u>2,317,998</u>	<u>(1,200)</u>	<u>83,257,408</u>
Less Accumulated Depreciation:				
Buildings and Improvements	27,250,577	1,361,545	0	28,612,122
Equipment	<u>2,695,008</u>	<u>526,103</u>	<u>(1,200)</u>	<u>3,219,911</u>
Total Accumulated Depreciation	<u>29,945,585</u>	<u>1,887,648</u>	<u>(1,200)</u>	<u>31,832,033</u>
Governmental Activities Capital Assets, Net	<u>\$50,995,025</u>	<u>\$430,350</u>	<u>\$0</u>	<u>\$51,425,375</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$802,429
Special	178,572
Vocational	476,869
Support Services:	
Pupil	1,734
Instructional Staff	28,205
School Administration	59,987
Fiscal	5,302
Business	2,164
Operations and Maintenance	16,687
Pupil Transportation	55,297
Central	227,843
Operation of Non-instructional Services	30,873
Extracurricular Expenditure	<u>1,686</u>
Total Depreciation Expense	<u>\$1,887,648</u>

7. NOTES PAYABLE

Activity related to the District's tax anticipation notes payable is presented below:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
Tax Anticipation	2.10%	6/01/04	6/01/05	\$4,500,000	\$0	\$4,500,000	\$0
Tax Anticipation	3.47%	6/01/05	6/01/15	<u>0</u>	<u>15,000,000</u>	<u>0</u>	<u>15,000,000</u>
				<u>\$4,500,000</u>	<u>\$15,000,000</u>	<u>\$4,500,000</u>	<u>\$15,000,000</u>

The note is shown as a liability on the fund financial statements in the fund which received the proceeds. The proceeds were used for capital improvements.

8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds and Notes Payable:						
Bond Issue*						
1999 4.84%	12/01/19	\$1,600,000	\$ 0	\$1,600,000	\$0	\$0
Bond Issue*						
1999 5.00%	12/01/24	34,295,734	0	25,961,267	8,334,467	890,000
Note Issue						
2002 4.80%	12/01/17	278,000	0	14,000	264,000	15,000
Refunding Bonds:						
Current Interest Bonds - School Improvement						
2005 4.65%	12/01/14	0	23,655,000	0	23,655,000	2,570,000
Capital Appreciation Bonds - School Improvement						
2005 4.33%	12/01/14	0	1,326,267	0	1,326,267	0
Premium on Bonds	12/01/04	<u>0</u>	<u>1,881,333</u>	<u>0</u>	<u>1,881,333</u>	<u>94,067</u>
Total General Obligation Bonds and Notes Payable		36,173,734	26,862,600	27,575,267	35,461,067	3,569,067
Capital Leases		<u>991,566</u>	<u>0</u>	<u>164,459</u>	<u>827,107</u>	<u>173,760</u>
Total Long-Term Debt		37,165,300	26,862,600	27,739,726	36,288,174	3,742,827
Compensated Absences		<u>2,613,662</u>	<u>71,250</u>	<u>272,021</u>	<u>2,412,891</u>	<u>91,600</u>
Total Governmental Activities Long-Term Liabilities		<u>\$39,778,962</u>	<u>\$26,933,850</u>	<u>\$28,011,747</u>	<u>\$38,701,065</u>	<u>\$3,834,427</u>

*\$24,981,267 of \$27,561,267 retired represents advance refunding dated April 1, 2005.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations and Note Issues will be paid from the permanent improvement fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Notes Payable			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$3,460,000	\$1,026,634	\$4,486,634	\$15,000	\$9,073	\$24,073	\$0	\$0	\$0
2007	3,630,000	1,220,567	4,850,567	15,000	12,101	27,101	0	0	0
2008	3,945,000	1,048,418	4,993,418	16,000	11,280	27,280	0	0	0
2009	3,577,247	1,344,776	4,922,023	17,000	10,433	27,433	0	0	0
2010	990,656	1,268,319	2,258,975	18,000	9,562	27,562	0	0	0
2011-2015	5,371,564	6,871,386	12,242,950	105,000	32,991	137,991	3,685,000	0	3,685,000
2016-2020	4,655,000	2,002,714	6,657,714	78,000	5,926	83,926	0	0	0
2021-2025	<u>6,360,000</u>	<u>882,500</u>	<u>7,242,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$31,989,467</u>	<u>\$15,665,314</u>	<u>\$47,654,781</u>	<u>\$264,000</u>	<u>\$91,366</u>	<u>\$355,366</u>	<u>\$3,685,000</u>	<u>\$0</u>	<u>\$3,685,000</u>

9. ADVANCED REFUNDING

In April 1, 2005, the District issued \$26,862,582 in General Obligation bonds with an average interest rate of 4.65% of which \$24,981,267 was used to advance refund \$24,981,267 of outstanding 1999 A1 Series and 1999 A2 Series bonds with an average interest rate of 5.00%. The net proceeds of \$26,590,791 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the 1999 A1 Series and 1999 A2 Series bonds. As a result, \$24,981,267 of the 1999 A1 Series and 1999 A2 Series bonds are considered to be defeased and the related liability for those bonds has been removed from the Statement of Net Assets.

The District partially advance refunded the 1999 A1 Series and 1999 A2 Series bonds to reduce its total debt service payments by \$4,727,131 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$378,921.

10. LEASES

CAPITAL LEASES

The District has a capital lease for a HVAC system.

The lease for the HVAC system meets the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the Permanent Improvement Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2006	\$215,016
2007	215,016
2008	215,016
2009	215,016
2010	<u>71,672</u>
Total Minimum Lease Payments	931,736
Less: Amount Representing Interest	<u>(104,629)</u>
Present Value of Minimum Lease Payments	<u>\$827,107</u>

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Buildings and improvements	\$1,650,000
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11. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$819,096, \$836,688, and \$673,476 respectively; 48% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

STATE TEACHERS RETIREMENT SYSTEM

The District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,225,772, \$2,025,348, and \$1,982,736 respectively; 82% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

12. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$158,984 during the 2005 fiscal year. As of June 30, 2004 eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

For the fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year, the minimum pay has been established at \$27,500. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$287,267 during the 2005 fiscal year. The number of participants currently receiving health care benefits is approximately 62,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million.

13. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2005.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

14. JOINTLY GOVERNED ORGANIZATIONS

The Southwest Ohio Computer Association - The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of Ohio school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 29 school districts. The financial statements for SWOCA are available at the Butler County Career Center, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45012.

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association/Unified Purchasing Association (HCCA) is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The United Purchasing Cooperative organization is governed by representatives from each of the governments that created the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for HCCA can be obtained from their administrative office at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

15. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% co-insured. The District 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. The District contracted with Utica National Insurance Group for property insurance, fleet insurance and for liability insurance coverage. Coverages provided by Utica National Insurance Group are as follows:

Building and Contents - replacement cost (\$5,000 deductible)	\$69,069,238
Automobile Liability	4,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	4,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

16. INSURANCE PURCHASING POOL

Greater Cincinnati Insurance Consortium - The Greater Cincinnati Insurance Consortium, an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The board of Directors consists of one representative from each of the participating members and are elected by the vote of the majority of the member school districts. The District pays premiums to a third party administrator, Edward Paul Cerry, which in turn buys the insurance policies from various insurance companies. Upon termination, the District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Consortium. The District may terminate participation in the Consortium for the benefit of its employees upon written notice to the Consortium delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Greater Cincinnati Insurance Consortium at 20600 Chagrin Boulevard, Shaker Heights, Ohio 44122.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

17. ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Career Education	\$568
Management Information	7,969
Disadvantaged Pupil Impact Aid	8,315
Title VI - B Preschool	37,419
Improving Teacher Quality	20,880
Capital Projects Funds:	
Permanent Improvement	2,325,286

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

18. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2005, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$50,566)	\$0	\$336,785
Current Year Set-aside Requirement	600,344	600,344	0
Qualified Disbursements	(615,764)	0	0
Current Year Offsets	<u>0</u>	<u>(600,344)</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 336,785</u>
Restricted Cash as of June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 336,785</u>
Carried Forward as of June 30, 2005	<u>(\$65,986)</u>		

Qualifying disbursements and current year offsets for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks resulted in \$65,986 for carryover to offset textbook requirements in future years.

19. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$27,188	\$0	\$0	\$27,083
Other Governmental Funds	<u>276</u>	<u>27,464</u>	<u>27,083</u>	<u>0</u>
Total all funds	<u>\$27,464</u>	<u>\$27,464</u>	<u>\$27,083</u>	<u>\$27,083</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

20. PRIOR YEAR DEFEASANCE OF DEBT

On April 1, 1999, the District issued \$43,140,734 in General Obligation Bonds with interest rates from 3.2% to 5.25% to advance refund \$13,145,000 of outstanding 1992 General Obligation Bonds with interest rates from 4.1% to 7.1%. The net proceeds were used to purchase U.S. Government Securities. Those Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 general obligation bonds. As a result, the 1992 general obligation bonds are considered defeased and the liability for those bonds has been removed from the debt service fund.

The escrow fund paid off the entire amount of the defeased debt and no amounts remain outstanding.

21. CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the General and Other Governmental Funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	Other Governmental <u>Funds</u>
Fund Balances, June 30, 2004	\$6,424,177	\$444,134
GASB Technical Bulletin No. 2004-2	<u>(269,668)</u>	<u>(27,613)</u>
Restated Fund Balance, June 30, 2004	<u>\$6,154,509</u>	<u>\$416,521</u>

A prior period adjustment was required to restate capital assets at June 30, 2004 due to an understatement of equipment in the prior year. This restatement had the following effect on net assets at June 30, 2004:

	Governmental <u>Activities</u>
Net assets as previously reported	\$22,486,885
Restatement for capital assets	<u>185,149</u>
Net assets, restated at July 1, 2004	<u>\$22,672,034</u>

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

Loveland City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$18,681,141	\$18,711,145	\$18,782,766	\$71,621
Tuition and Fees	450,948	451,672	453,401	1,729
Investment Earnings	359,225	359,802	361,179	1,377
Intergovernmental	13,421,302	13,442,858	13,494,314	51,456
Other Revenues	109,392	109,568	109,987	419
Total Revenues	33,022,008	33,075,045	33,201,647	126,602
Expenditures:				
Current:				
Instruction:				
Regular	14,936,085	15,154,797	14,813,319	341,478
Special	3,137,333	3,183,274	3,111,546	71,728
Vocational	173,586	176,128	172,159	3,969
Other	233,533	236,952	231,613	5,339
Support Services:				
Pupil	1,553,574	1,576,323	1,540,804	35,519
Instructional Staff	849,805	862,249	842,820	19,429
General Administration	132,084	134,018	130,998	3,020
School Administration	2,682,006	2,721,279	2,659,961	61,318
Fiscal	906,350	919,622	898,900	20,722
Business	179,527	182,155	178,051	4,104
Operations and Maintenance	2,712,277	2,751,994	2,689,984	62,010
Pupil Transportation	2,507,288	2,544,002	2,486,679	57,323
Central	559,556	567,750	554,957	12,793
Operation of Non-Instructional Services	225,245	228,544	223,394	5,150
Extracurricular Activities	667,991	677,772	662,500	15,272
Total Expenditures	31,456,240	31,916,859	31,197,685	719,174
Excess of Revenues Over (Under) Expenditures	1,565,768	1,158,186	2,003,962	845,776
Other financing sources (uses):				
Advances In	118,857	119,048	119,504	456
Advances (Out)	(120,494)	(122,259)	(119,504)	2,755
Transfers (Out)	(27,307)	(27,707)	(27,083)	624
Total Other Financing Sources (Uses)	(28,944)	(30,918)	(27,083)	3,835
Net Change in Fund Balance	1,536,824	1,127,268	1,976,879	849,611
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,281,924	6,281,924	6,281,924	0
Fund Balance End of Year	\$7,818,748	\$7,409,192	\$8,258,803	\$849,611

See accompanying notes to the required supplementary information.

LOVELAND CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2005

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2005.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$4,832,773
Net Adjustment for Revenue Accruals	(2,916,932)
Net Adjustment for Expenditure Accruals	61,038
Encumbrances	<u>0</u>
Budget Basis	<u>\$1,976,879</u>

**COMBINING STATEMENTS
AND INDIVIDUAL
FUND SCHEDULES**

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes. The following are descriptions of each Special Revenue Fund:

PUBLIC SCHOOL: To account for specific local revenue sources (other than taxes) generated by individual school buildings (i.e., sales of pictures, profits from vending machines, etc.). Expenditures include field trips, materials, equipment and other items to supplement co-curricular and extra-curricular programs.

LEARNING LINKS: To account for monies, which are provided for the Learning Links Program.

ATHLETIC: To account for those student activity programs which have student participation in the activity but do not have student management in the programs. This fund includes athletic programs as well as the band, cheerleaders, flag corps and other similar types of activities.

AUXILIARY SERVICES: To account for state funds which provide services and materials to students attending non-public schools within the boundaries of the District as provided by state law.

CAREER EDUCATION: To account for state funds, which are provided to introduce various career opportunities to students.

MANAGEMENT INFORMATION: To account for state funds which are provided to assist the District in implementing a staff, student and financial system as mandated by the Omnibus Education Reform Act.

ENTRY YEAR PROGRAM: To account for state funds, which are provided for implementing entry year programs.

DISADVANTAGED PUPIL IMPACT AID: To account for the provision of state funds to economically deprived pupils. The funds are grants designed to help level out the economic differences between students.

NETWORK CONNECTIVITY: To account for data communications support.

SCHOOL NET PROFESSIONAL DEVELOPMENT: To account for limited number of professional development subsidy grants.

OHIO READS: To account for state funds, which are designated reading.

SUMMER INTERVENTION: To account for summer remediation services.

VOCATIONAL EDUCATION: To account for the vocation education program.

SAFE SCHOOL HOT LINE: To account for funds provided for the Safe School Hot Line program.

TITLE VI-B PRESCHOOL: To account for federal funds received for the purpose of assisting in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternate service patterns, and provision of full educational opportunities to handicapped children at preschool.

CARL PERKINS: Provision of funds to boards of education, teacher training institutions, and the state administering agency for cooperating in development of vocational education programs in the following categories: secondary, postsecondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, ancillary services, research, advisory committees, and work study projects, including sex equity grants. Funds are administered by the Ohio Department of Education, Division of Vocational and Career Education.

TITLE I: To account for federal funds used to meet special educational needs of educationally deprived children.

TITLE VI: To account for federal funds used to provide programs for at-risk students; instructional materials to improve the quality of instruction; programs of professional development; and programs to enhance personal excellence of students and student achievement.

DRUG FREE SCHOOLS: To account for federal funds used for establishment, operation and improvement of programs of drug abuse prevention, early intervention, rehabilitation referral and education in schools.

EHA PRESCHOOL: To account for revenues and expenditures made in conjunction with child abuse, child neglect prevention programs and other grants.

IMPROVING TEACHER QUALITY: To account for federal funds used in improving the teachers of the District.

CONTINUOUS IMPROVEMENT GRANT: To account for funds provided for the Continuous Improvement Program.

FOOD SERVICES: Fund used to record financial transactions related to food service operation.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

SCHOOLNET: To account for the purchase of technology used for instructional purposes.

FIDUCIARY FUNDS

Fiduciary fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental unites and/or other funds.

AGENCY FUND – STUDENT ACTIVITIES: To account for assets and liabilities generated by student managed activities. The fund accounts for sales and other revenue generating activities by student activity programs, which have students involved in the management of the program.

AGENCY FUND – SECTION 125 PLAN: To account for monies voluntarily withheld from employees on a pre-tax basis to reimburse employees for medical and dental expenses covered by group insurance.

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Loveland City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$809,659	\$0	\$809,659
Receivables:			
Interfund	276	0	276
Inventory	27,760	0	27,760
Total Assets	837,695	0	837,695
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	11,583	0	11,583
Accrued Wages and Benefits	207,737	0	207,737
Interfund Payable	27,464	0	27,464
Total Liabilities	246,784	0	246,784
Fund Balances:			
Reserved for Encumbrances	43,619	0	43,619
Reserved for Inventory	27,760	0	27,760
Unreserved, Undesignated, Reported in: Special Revenue Funds	519,532	0	519,532
Total Fund Balances	590,911	0	590,911
Total Liabilities and Fund Balances	\$837,695	\$0	\$837,695

Loveland City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Tuition and Fees	\$13,060	\$0	\$13,060
Investment Earnings	3,449	0	3,449
Intergovernmental	1,884,727	36,120	1,920,847
Extracurricular Activities	381,591	0	381,591
Charges for Services	891,833	0	891,833
Other Revenues	29,634	0	29,634
Total Revenues	3,204,294	36,120	3,240,414
Expenditures:			
Current:			
Instruction:			
Regular	232,819	2,680	235,499
Special	316,069	0	316,069
Support Services:			
Pupil	250,363	0	250,363
Instructional Staff	313,177	0	313,177
Central	55,707	0	55,707
Operation of Non-Instructional Services	1,369,446	0	1,369,446
Extracurricular Activities	363,095	0	363,095
Capital Outlay	156,311	33,440	189,751
Total Expenditures	3,056,987	36,120	3,093,107
Excess of Revenues Over (Under) Expenditure	147,307	0	147,307
Other Financing Sources (Uses):			
Transfers In	27,083	0	27,083
Total Other Financing Sources (Uses)	27,083	0	27,083
Net Change in Fund Balance	174,390	0	174,390
Fund Balance Beginning of Year	416,521	0	416,521
Fund Balance End of Year	\$590,911	\$0	\$590,911

Loveland City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Public School	Learning Links	Athletic	Auxiliary Services	Career Education	Management Information
Assets:						
Equity in Pooled Cash and Investments	\$128,446	\$1,556	\$137,788	\$45,874	\$0	\$0
Receivables:						
Interfund	276	0	0	0	0	0
Inventory	0	0	0	0	0	0
Total Assets	128,722	1,556	137,788	45,874	0	0
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	4,515	0	2,206	2,255	0	0
Accrued Wages and Benefits	0	0	0	41,334	0	7,969
Interfund Payable	0	0	14,707	0	568	0
Total Liabilities	4,515	0	16,913	43,589	568	7,969
Fund Balances:						
Reserved for Encumbrances	0	0	0	43,619	0	0
Reserved for Inventory	0	0	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	124,207	1,556	120,875	(41,334)	(568)	(7,969)
Total Fund Balances	124,207	1,556	120,875	2,285	(568)	(7,969)
Total Liabilities and Fund Balances	\$128,722	\$1,556	\$137,788	\$45,874	\$0	\$0

Entry Year Program	Disadvantaged Pupil Impact Aid	Network Connectivity	School Net Professional Development	Ohio Reads	Summer Intervention	Vocational Education	Safe School Hot Line
\$0	\$0	\$0	\$0	\$0	\$1,675	\$0	\$0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	1,675	0	0
0	0	0	0	0	1,650	0	0
0	8,315	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	8,315	0	0	0	1,650	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	(8,315)	0	0	0	25	0	0
0	(8,315)	0	0	0	25	0	0
\$0	\$0	\$0	\$0	\$0	\$1,675	\$0	\$0

Continued

Loveland City School District
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2005

	Title VI-B Preschool	Carl Perkins	Title I	Title VI	Drug Free Schools	EHA Preschool
Assets:						
Equity in Pooled Cash and Investments	\$52,136	\$0	\$0	\$0	\$0	\$2,593
Receivables:						
Interfund	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Total Assets	52,136	0	0	0	0	2,593
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	0	0	0	0	0	0
Accrued Wages and Benefits	89,555	0	0	0	0	0
Interfund Payable	0	0	0	0	0	0
Total Liabilities	89,555	0	0	0	0	0
Fund Balances:						
Reserved for Encumbrances	0	0	0	0	0	0
Reserved for Inventory	0	0	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(37,419)	0	0	0	0	2,593
Total Fund Balances	(37,419)	0	0	0	0	2,593
Total Liabilities and Fund Balances	\$52,136	\$0	\$0	\$0	\$0	\$2,593

Improving Teacher Quality	Continuous Improvement Grant	Food Services	Total Nonmajor Special Revenue Funds
\$0	\$0	\$439,591	\$809,659
0	0	0	276
0	0	27,760	27,760
0	0	467,351	837,695
0	0	957	11,583
20,880	0	39,684	207,737
0	0	12,189	27,464
20,880	0	52,830	246,784
0	0	0	43,619
0	0	27,760	27,760
(20,880)	0	386,761	519,532
(20,880)	0	414,521	590,911
\$0	\$0	\$467,351	\$837,695

Loveland City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Public School	Learning Links	Athletic	Auxiliary Services	Career Education	Management Information
Revenues:						
Tuition and Fees	\$13,060	\$0	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	804	0	0
Intergovernmental	0	3,352	0	446,982	0	13,653
Extracurricular Activities	221,094	0	160,497	0	0	0
Charges for Services	0	0	0	0	0	0
Other Revenues	29,634	0	0	0	0	0
Total Revenues	263,788	3,352	160,497	447,786	0	13,653
Expenditures:						
Current:						
Instruction:						
Regular	0	5,131	0	0	0	0
Special	0	0	0	0	0	0
Support Services:						
Pupil	0	0	0	0	0	0
Instructional Staff	0	587	0	0	0	0
Central	0	0	0	0	0	36,666
Operation of Non-Instructional Services	0	0	0	406,554	0	0
Extracurricular Activities	231,873	0	131,222	0	0	0
Capital Outlay	1,695	0	30,801	86,101	0	0
Total Expenditures	233,568	5,718	162,023	492,655	0	36,666
Excess of Revenues Over (Under) Expenditures	30,220	(2,366)	(1,526)	(44,869)	0	(23,013)
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	0	21,933
Total Other Financing Sources (Uses)	0	0	0	0	0	21,933
Net Change in Fund Balance	30,220	(2,366)	(1,526)	(44,869)	0	(1,080)
Fund Balance Beginning of Year (Restated)	93,987	3,922	122,401	47,154	(568)	(6,889)
Fund Balance End of Year	\$124,207	\$1,556	\$120,875	\$2,285	(\$568)	(\$7,969)

Entry Year Program	Disadvantaged Pupil Impact Aid	Network Connectivity	School Net Professional Development	Ohio Reads	Summer Intervention	Vocational Education	Safe School Hot Line
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0
8,800	25,946	18,000	4,140	6,000	75,521	3,705	3,726
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
8,800	25,946	18,000	4,140	6,000	75,521	3,705	3,726
9,146	0	0	0	0	75,496	3,705	0
0	31,769	0	0	0	0	0	0
0	0	0	0	0	0	0	3,726
0	0	0	4,140	6,000	0	0	0
0	0	18,000	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
9,146	31,769	18,000	4,140	6,000	75,496	3,705	3,726
(346)	(5,823)	0	0	0	25	0	0
0	5,150	0	0	0	0	0	0
0	5,150	0	0	0	0	0	0
(346)	(673)	0	0	0	25	0	0
346	(7,642)	0	0	0	0	0	0
\$0	(\$8,315)	\$0	\$0	\$0	\$25	\$0	\$0

Continued

Loveland City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Title VI-B Preschool	Carl Perkins	Title I	Title VI	Drug Free Schools	EHA Preschool
Revenues:						
Tuition and Fees	\$0	\$0	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	0	0	0
Intergovernmental	754,775	6,102	154,226	20,400	12,504	19,157
Extracurricular Activities	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Other Revenues	0	0	0	0	0	0
Total Revenues	754,775	6,102	154,226	20,400	12,504	19,157
Expenditures:						
Current:						
Instruction:						
Regular	0	6,102	0	0	12,255	0
Special	138,849	0	144,646	0	0	805
Support Services:						
Pupil	230,878	0	0	0	0	15,759
Instructional Staff	299,950	0	2,500	0	0	0
Central	0	0	0	0	0	0
Operation of Non-Instructional Services	28,714	0	0	1	249	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Total Expenditures	698,391	6,102	147,146	1	12,504	16,564
Excess of Revenues Over (Under) Expenditures	56,384	0	7,080	20,399	0	2,593
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Net Change in Fund Balance	56,384	0	7,080	20,399	0	2,593
Fund Balance Beginning of Year (Restated)	(93,803)	0	(7,080)	(20,399)	0	0
Fund Balance End of Year	(\$37,419)	\$0	\$0	\$0	\$0	\$2,593

Improving Teacher Quality	Continuous Improvement Grant	Food Services	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$13,060
0	0	2,645	3,449
108,733	4,100	194,905	1,884,727
0	0	0	381,591
0	0	891,833	891,833
0	0	0	29,634
<u>108,733</u>	<u>4,100</u>	<u>1,089,383</u>	<u>3,204,294</u>
118,566	2,418	0	232,819
0	0	0	316,069
0	0	0	250,363
0	0	0	313,177
0	1,041	0	55,707
307	641	932,980	1,369,446
0	0	0	363,095
0	0	37,714	156,311
<u>118,873</u>	<u>4,100</u>	<u>970,694</u>	<u>3,056,987</u>
<u>(10,140)</u>	<u>0</u>	<u>118,689</u>	<u>147,307</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>27,083</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>27,083</u>
<u>(10,140)</u>	<u>0</u>	<u>118,689</u>	<u>174,390</u>
<u>(10,740)</u>	<u>0</u>	<u>295,832</u>	<u>416,521</u>
<u>(\$20,880)</u>	<u>\$0</u>	<u>\$414,521</u>	<u>\$590,911</u>

Loveland City School District
Statement of Changes In Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2005

	Student Activity			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$93,421	\$275	\$5,075	\$88,621
Total Assets	93,421	275	5,075	88,621
Liabilities:				
Accounts Payable	275	275	275	275
Other Liabilities	93,146	0	4,800	88,346
Total Liabilities	\$93,421	\$275	\$5,075	\$88,621

	Section 125 Plan			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$23,316	\$89	\$0	\$23,405
Total Assets	23,316	89	0	23,405
Liabilities:				
Other Liabilities	23,316	89	0	23,405
Total Liabilities	\$23,316	\$89	\$0	\$23,405

	Total All Agency Funds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$116,737	\$364	\$5,075	\$112,026
Total Assets	116,737	364	5,075	112,026
Liabilities:				
Accounts Payable	275	275	275	275
Other Liabilities	116,462	89	4,800	111,751
Total Liabilities	\$116,737	\$364	\$5,075	\$112,026

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Public School Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$10,393	\$13,060	\$13,060	\$0
Extracurricular Activities	175,945	221,094	221,094	0
Other Revenues	23,583	29,634	29,634	0
Total Revenues	209,921	263,788	263,788	0
Expenditures:				
Current:				
Extracurricular Activities	285,345	299,568	229,313	70,255
Total Expenditures	285,345	299,568	229,313	70,255
Excess of Revenues Over (Under) Expenditures	(75,424)	(35,780)	34,475	70,255
Other financing sources (uses):				
Advances In	80	100	100	0
Advances (Out)	(124)	(131)	(100)	31
Total Other Financing Sources (Uses)	(44)	(31)	0	31
Net Change in Fund Balance	(75,468)	(35,811)	34,475	70,286
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	93,971	93,971	93,971	0
Fund Balance End of Year	\$18,503	\$58,160	\$128,446	\$70,286

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Learning Links Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$30,000	\$3,352	\$3,352	\$0
Total Revenues	30,000	3,352	3,352	0
Expenditures:				
Current:				
Instruction:				
Regular	5,314	6,527	5,131	1,396
Support Services:				
Instructional Staff	608	747	587	160
Total Expenditures	5,922	7,274	5,718	1,556
Excess of Revenues Over (Under) Expenditures	24,078	(3,922)	(2,366)	1,556
Net Change in Fund Balance	24,078	(3,922)	(2,366)	1,556
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,922	3,922	3,922	0
Fund Balance End of Year	\$28,000	\$0	\$1,556	\$1,556

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Athletic Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$175,000	\$160,496	\$160,497	\$1
Total Revenues	175,000	160,496	160,497	1
Expenditures:				
Current:				
Extracurricular Activities	155,800	190,800	159,905	30,895
Total Expenditures	155,800	190,800	159,905	30,895
Excess of Revenues Over (Under) Expenditures	19,200	(30,304)	592	30,896
Net Change in Fund Balance	19,200	(30,304)	592	30,896
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	137,196	137,196	137,196	0
Fund Balance End of Year	\$156,396	\$106,892	\$137,788	\$30,896

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Auxiliary Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$790	\$804	\$804	\$0
Intergovernmental	439,210	446,982	446,982	0
Total Revenues	440,000	447,786	447,786	0
Expenditures:				
Current:				
Operation of Non-Instructional Services	522,292	530,078	530,078	0
Total Expenditures	522,292	530,078	530,078	0
Excess of Revenues Over (Under) Expenditures	(82,292)	(82,292)	(82,292)	0
Net Change in Fund Balance	(82,292)	(82,292)	(82,292)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	82,292	82,292	82,292	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Career Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Instruction:				
Regular	0	0	0	(0)
Total Expenditures	0	0	0	(0)
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Management Information Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$13,126	\$13,653	\$13,653	\$0
Total Revenues	13,126	13,653	13,653	0
Expenditures:				
Current:				
Support Services:				
Central	34,212	35,586	35,586	0
Total Expenditures	34,212	35,586	35,586	0
Excess of Revenues Over (Under) Expenditures	(21,086)	(21,933)	(21,933)	0
Other financing sources (uses):				
Advances In	5,288	5,500	5,500	0
Advances (Out)	(5,288)	(5,500)	(5,500)	0
Transfers In	21,086	21,933	21,933	0
Total Other Financing Sources (Uses)	21,086	21,933	21,933	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Entry Year Program Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$7,000	\$8,800	\$8,800	\$0
Total Revenues	7,000	8,800	8,800	0
Expenditures:				
Current:				
Instruction:				
Regular	6,946	9,146	9,146	0
Total Expenditures	6,946	9,146	9,146	0
Excess of Revenues Over (Under) Expenditures	54	(346)	(346)	0
Net Change in Fund Balance	54	(346)	(346)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	346	346	346	0
Fund Balance End of Year	\$400	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Disadvantaged Pupil Impact Aid Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$29,058	\$25,946	\$25,946	\$0
Total Revenues	29,058	25,946	25,946	0
Expenditures:				
Current:				
Instruction:				
Special	30,348	31,096	31,096	0
Total Expenditures	30,348	31,096	31,096	0
Excess of Revenues Over (Under) Expenditures	(1,290)	(5,150)	(5,150)	0
Other financing sources (uses):				
Advances In	2,240	2,000	2,000	0
Advances (Out)	(1,952)	(2,000)	(2,000)	0
Transfers In	5,768	5,150	5,150	0
Total Other Financing Sources (Uses)	6,056	5,150	5,150	0
Net Change in Fund Balance	4,766	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$4,766	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Network Connectivity Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$18,000	\$18,000	\$18,000	\$0
Total Revenues	18,000	18,000	18,000	0
Expenditures:				
Current:				
Support Services:				
Central	0	18,000	18,000	0
Total Expenditures	0	18,000	18,000	0
Excess of Revenues Over (Under) Expenditures	18,000	0	0	0
Net Change in Fund Balance	18,000	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$18,000	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	School Net Professional Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$36,120	\$4,140	\$4,140	\$0
Total Revenues	36,120	4,140	4,140	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	36,120	4,140	4,140	0
Total Expenditures	36,120	4,140	4,140	0
Excess of Revenues Over (Under) Expenditures	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Ohio Reads Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$6,000	\$6,000	\$6,000	\$0
Total Revenues	6,000	6,000	6,000	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	4,140	6,000	6,000	0
Total Expenditures	4,140	6,000	6,000	0
Excess of Revenues Over (Under) Expenditures	1,860	0	0	0
Net Change in Fund Balance	1,860	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$1,860	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Summer Intervention Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$52,048	\$75,521	\$75,521	\$0
Total Revenues	52,048	75,521	75,521	0
Expenditures:				
Current:				
Instruction:				
Regular	51,684	74,993	73,846	1,147
Total Expenditures	51,684	74,993	73,846	1,147
Excess of Revenues Over (Under) Expenditures	364	528	1,675	1,147
Other financing sources (uses):				
Advances In	23,432	34,000	34,000	0
Advances (Out)	(23,796)	(34,528)	(34,000)	528
Total Other Financing Sources (Uses)	(364)	(528)	0	528
Net Change in Fund Balance	0	0	1,675	1,675
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$1,675	\$1,675

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Vocational Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$3,666	\$3,705	\$3,705	\$0
Total Revenues	3,666	3,705	3,705	0
Expenditures:				
Current:				
Instruction:				
Regular	2,666	3,705	3,705	0
Total Expenditures	2,666	3,705	3,705	0
Excess of Revenues Over (Under) Expenditures	1,000	0	0	0
Other financing sources (uses):				
Advances In	1,834	1,853	1,853	0
Advances (Out)	(1,334)	(1,853)	(1,853)	0
Total Other Financing Sources (Uses)	500	0	0	0
Net Change in Fund Balance	1,500	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$1,500	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Safe School Hot Line Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$10,000	\$3,726	\$3,726	\$0
Total Revenues	10,000	3,726	3,726	0
Expenditures:				
Current:				
Support Services:				
Pupil	3,726	3,726	3,726	0
Total Expenditures	3,726	3,726	3,726	0
Excess of Revenues Over (Under) Expenditures	6,274	0	0	0
Net Change in Fund Balance	6,274	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	<u>\$6,274</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title VI-B Preschool Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$714,094	\$754,779	\$754,775	(\$4)
Total Revenues	<u>714,094</u>	<u>754,779</u>	<u>754,775</u>	<u>(4)</u>
Expenditures:				
Current:				
Instruction:				
Special	171,517	181,289	169,441	11,848
Support Services:				
Pupil	200,394	211,811	197,968	13,843
Instructional Staff	310,272	327,950	306,516	21,434
Operation of Non-Instructional Services	29,066	30,722	28,714	2,008
Total Expenditures	<u>711,249</u>	<u>751,772</u>	<u>702,639</u>	<u>49,133</u>
Excess of Revenues Over (Under) Expenditures	<u>2,845</u>	<u>3,007</u>	<u>52,136</u>	<u>49,129</u>
Other financing sources (uses):				
Advances In	40,682	43,000	43,000	0
Advances (Out)	(43,527)	(46,007)	(43,000)	3,007
Total Other Financing Sources (Uses)	<u>(2,845)</u>	<u>(3,007)</u>	<u>0</u>	<u>3,007</u>
Net Change in Fund Balance	0	0	52,136	52,136
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$52,136</u>	<u>\$52,136</u>

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Carl Perkins Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$4,133	\$6,102	\$6,102	\$0
Total Revenues	4,133	6,102	6,102	0
Expenditures:				
Current:				
Instruction:				
Regular	4,119	6,102	6,102	0
Total Expenditures	4,119	6,102	6,102	0
Excess of Revenues Over (Under) Expenditures	14	0	0	0
Other financing sources (uses):				
Advances In	2,067	3,051	3,051	0
Advances (Out)	(2,060)	(3,051)	(3,051)	0
Total Other Financing Sources (Uses)	7	0	0	0
Net Change in Fund Balance	21	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$21	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title I Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$180,923	\$154,226	\$154,226	\$0
Total Revenues	180,923	154,226	154,226	0
Expenditures:				
Current:				
Instruction:				
Special	143,533	151,726	151,726	0
Support Services:				
Instructional Staff	2,365	2,500	2,500	0
Total Expenditures	145,898	154,226	154,226	0
Excess of Revenues Over (Under) Expenditures	35,025	0	0	0
Other financing sources (uses):				
Advances In	14,077	12,000	12,000	0
Advances (Out)	(11,352)	(12,000)	(12,000)	0
Total Other Financing Sources (Uses)	2,725	0	0	0
Net Change in Fund Balance	37,750	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$37,750	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title VI Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$33,542	\$20,380	\$20,381	\$1
Total Revenues	33,542	20,380	20,381	1
Expenditures:				
Current:				
Instruction:				
Special	11,595	17,283	17,283	0
Operation of Non-Instructional Services	2,078	3,097	3,097	0
Total Expenditures	13,673	20,380	20,380	0
Excess of Revenues Over (Under) Expenditures	19,869	0	1	1
Other financing sources (uses):				
Advances In	16,458	10,000	10,000	0
Advances (Out)	(6,709)	(10,000)	(10,000)	0
Total Other Financing Sources (Uses)	9,749	0	0	0
Net Change in Fund Balance	29,618	0	1	1
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$29,618	\$0	\$1	\$1

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Drug Free Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$20,000	\$12,504	\$12,504	\$0
Total Revenues	20,000	12,504	12,504	0
Expenditures:				
Current:				
Instruction:				
Regular	12,255	12,255	12,255	0
Operation of Non-Instructional Services	249	249	249	0
Total Expenditures	12,504	12,504	12,504	0
Excess of Revenues Over (Under) Expenditures	7,496	0	0	0
Net Change in Fund Balance	7,496	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$7,496	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	EHA Preschool Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$23,000	\$19,158	\$19,157	(\$1)
Total Revenues	23,000	19,158	19,157	(1)
Expenditures:				
Current:				
Instruction:				
Special	797	931	805	126
Support Services:				
Pupil	15,594	18,227	15,759	2,468
Total Expenditures	16,391	19,158	16,564	2,594
Excess of Revenues Over (Under) Expenditures	6,609	0	2,593	2,593
Net Change in Fund Balance	6,609	0	2,593	2,593
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$6,609	\$0	\$2,593	\$2,593

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Improving Teacher Quality Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$144,377	\$108,733	\$108,733	\$0
Total Revenues	144,377	108,733	108,733	0
Expenditures:				
Current:				
Instruction:				
Regular	101,016	108,426	108,426	0
Operation of Non-Instructional Services	286	307	307	0
Total Expenditures	101,302	108,733	108,733	0
Excess of Revenues Over (Under) Expenditures	43,075	0	0	0
Other financing sources (uses):				
Advances In	10,623	8,000	8,000	0
Advances (Out)	(7,453)	(8,000)	(8,000)	0
Total Other Financing Sources (Uses)	3,170	0	0	0
Net Change in Fund Balance	46,245	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$46,245	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Continuous Improvement Grant Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$15,000	\$4,100	\$4,100	\$0
Total Revenues	15,000	4,100	4,100	0
Expenditures:				
Current:				
Instruction:				
Regular	2,455	2,418	2,418	0
Support Services:				
Central	1,057	1,041	1,041	0
Operation of Non-Instructional Services	651	641	641	0
Total Expenditures	4,163	4,100	4,100	0
Excess of Revenues Over (Under) Expenditures	10,837	0	0	0
Net Change in Fund Balance	10,837	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$10,837	\$0	\$0	\$0

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Food Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$2,208	\$2,645	\$2,645	\$0
Intergovernmental	108,241	129,653	129,653	0
Other Revenues	744,550	891,834	891,833	(1)
Total Revenues	854,999	1,024,132	1,024,131	(1)
Expenditures:				
Current:				
Operation of Non-Instructional Services	798,881	947,757	928,263	19,494
Total Expenditures	798,881	947,757	928,263	19,494
Excess of Revenues Over (Under) Expenditures	56,118	76,375	95,868	19,493
Net Change in Fund Balance	56,118	76,375	95,868	19,493
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	343,722	343,722	343,722	0
Fund Balance End of Year	\$399,840	\$420,097	\$439,590	\$19,493

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,824,344	\$3,990,542	\$3,959,239	(\$31,303)
Intergovernmental	504,456	526,378	522,249	(4,129)
Total Revenues	4,328,800	4,516,920	4,481,488	(35,432)
Expenditures:				
Current:				
Support Services:				
School Administration	5,306	5,306	4,785	521
Fiscal	69,746	69,746	62,903	6,843
Debt Service:				
Principal Retirement	2,580,000	2,580,000	2,580,000	0
Interest and Fiscal Charges	1,567,426	1,567,426	1,160,505	406,921
Total Expenditures	4,222,478	4,222,478	3,808,193	414,285
Net Change in Fund Balance	106,322	294,442	673,295	378,853
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,522,974	3,522,974	3,522,974	0
Fund Balance End of Year	\$3,629,296	\$3,817,416	\$4,196,269	\$378,853

Loveland City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	Permanent Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$1,331,288	\$1,359,040	\$1,393,172	\$34,132
Investment Earnings	21,604	22,557	22,604	47
Intergovernmental	177,431	185,293	185,680	387
Total Revenues	1,530,323	1,566,890	1,601,456	34,566
Expenditures:				
Current:				
Instruction:				
Regular	342,477	1,305,400	1,274,937	30,463
Support Services:				
Pupil	983	3,153	3,079	74
Instructional Staff	16,857	54,022	52,761	1,261
School Administration	19,668	63,028	61,557	1,471
Fiscal	8,067	25,849	25,246	603
Business	47	154	150	4
Operations and Maintenance	194,714	623,972	609,411	14,561
Pupil Transportation	183,068	586,654	572,964	13,690
Central	44,711	143,279	139,935	3,344
Capital Outlay	404,453	1,296,097	1,265,851	30,246
Debt Service:				
Principal Retirement	4,678,459	4,678,459	4,678,459	0
Interest and Fiscal Charges	106,495	213,801	99,636	114,165
Total Expenditures	5,999,999	8,993,868	8,783,986	209,882
Excess of Revenues Over (Under) Expenditures	(4,469,676)	(7,426,978)	(7,182,530)	244,448
Other financing sources (uses):				
Proceeds of Short-Term Notes	0	15,000,000	15,000,000	0
Total Other Financing Sources (Uses)	0	15,000,000	15,000,000	0
Net Change in Fund Balance	(4,469,676)	7,573,022	7,817,470	244,448
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,501,809	4,501,809	4,501,809	0
Fund Balance End of Year	\$32,133	\$12,074,831	\$12,319,279	\$244,448

Loveland City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	SchoolNet Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$36,120	\$36,120	\$0
Total Revenues	0	36,120	36,120	0
Expenditures:				
Current:				
Instruction:				
Regular	0	36,120	36,120	0
Total Expenditures	0	36,120	36,120	0
Excess of Revenues Over (Under) Expenditures	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0



STATISTICAL SECTION

Comprehensive Annual Financial Report
For the Fiscal Year Ending June, 30, 2005

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Loveland City School District
 General School System Revenues by Source - Government-Wide
 Last Ten Fiscal Years *

TABLE I

Fiscal Year	2003	2004	2005
Program Revenues:			
Charges for Services	\$1,592,945	\$1,479,064	\$1,760,237
Operating Grants and Contributions	1,861,353	1,298,339	1,898,746
Capital Grants and Contributions	121,422	31,894	66,605
General Revenues:			
Property Taxes Levied for:			
General Purposes	19,474,618	17,601,551	21,882,960
Debt Service	4,187,788	3,748,223	4,470,981
Capital Projects	0	0	1,775,235
Grants and Entitlements not Restricted to Specific Programs	12,717,708	13,189,791	14,157,737
Unrestricted Contributions	250	800	700
Investment Earnings	380,512	174,877	387,232
Other Revenues	220,422	50,453	118,572
Total Revenues	<u>\$40,557,018</u>	<u>\$37,574,992</u>	<u>\$46,519,005</u>

Source: Loveland City School District

* - Only information for years 2003-2005 available

Loveland City School District
 General School System Expenses by Function - Government-Wide
 Last Ten Fiscal Years *

TABLE 2

Fiscal Year	2003	2004	2005
Instruction	\$18,645,800	\$19,815,982	\$21,240,499
Pupil	1,502,941	1,245,841	1,786,572
Instructional Staff	1,074,812	1,322,927	1,198,281
General Administration	167,305	113,613	131,085
School Administration	1,920,831	2,548,614	2,683,054
Business and Fiscal	967,266	1,046,910	1,145,133
Operations and Maintenance	3,187,598	3,023,853	3,141,681
Pupil Transportation	2,396,177	2,534,200	2,763,732
Central	755,115	1,192,090	976,129
Operation of Non-instructional Services	617,664	1,623,593	1,586,249
Extracurricular Activities	963,397	896,560	1,030,666
Interest and Fiscal Charges	1,893,792	1,802,179	3,045,971
Total Expenditures	<u>\$34,092,698</u>	<u>\$37,166,362</u>	<u>\$40,729,052</u>

Source: Loveland City School District

* - Only information for years 2003-2004 available

Loveland City School District
 General Fund Revenues By Source
 Last Ten Fiscal Years (1)

TABLE 3

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Taxes	\$8,439,958	\$10,821,052	\$10,862,965	\$13,883,486	\$13,171,221	\$15,235,977	\$17,202,208	\$19,474,619	\$17,036,515	\$21,819,202
Intergovernmental	6,271,122	6,353,117	7,209,493	8,221,555	8,522,170	10,013,853	11,779,910	12,328,143	12,763,091	13,494,314
Investment	174,446	123,289	245,418	279,688	152,556	65,787	78,926	379,650	172,464	361,179
Tuition and Fees	115,292	141,246	157,186	167,470	191,408	213,793	378,214	461,584	313,019	453,401
Other Revenues	39,811	68,263	137,581	63,119	127,832	142,154	25,430	218,073	57,030	109,987
Total Revenues	\$15,040,629	\$17,506,967	\$18,612,643	\$22,615,318	\$22,165,187	\$25,671,564	\$29,464,688	\$32,862,069	\$30,342,119	\$36,238,083

Source: Loveland City School District records

- (1) Fiscal year 1997 is the first year reported on a GAAP basis.
 All prior fiscal years are reported on a cash basis.

Loveland City School District
 General Fund Expenditures by Function
 Last Ten Fiscal Years (1)

TABLE 4

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Regular Instruction	\$8,340,528	\$9,021,872	\$9,829,515	\$10,224,345	\$11,382,133	\$11,481,667	\$12,639,093	\$13,503,469	\$14,383,188	\$15,193,073
Special Instruction	1,050,389	1,266,618	1,554,854	1,703,951	1,782,590	2,024,874	2,452,330	2,857,529	2,785,408	3,118,511
Vocational Instruction	393,595	430,913	450,171	452,039	338,265	308,437	267,978	228,110	206,836	182,120
Other Instruction	0	0	0	27,102	81,805	114,394	106,411	140,821	172,000	232,473
Pupil	659,166	673,832	836,350	863,860	947,358	1,166,316	1,198,995	1,315,823	1,216,261	1,561,502
Instructional Staff	255,443	253,983	282,385	292,553	537,569	710,735	801,320	931,107	1,044,045	826,876
General Administration	36,752	38,980	52,313	68,693	71,143	75,350	129,904	167,305	113,613	131,085
School Administration	1,148,684	1,285,688	965,049	1,633,797	1,337,634	1,530,137	1,671,260	2,019,716	2,450,394	2,726,491
Fiscal	332,930	368,221	435,314	566,339	565,332	651,708	720,597	754,696	830,129	899,416
Business	190,881	238,900	240,643	331,390	158,147	142,304	153,372	168,539	181,582	179,026
Operations and Maintenance	1,490,321	1,455,882	1,833,557	1,970,441	1,950,989	2,337,937	2,741,794	3,126,398	3,121,381	2,609,239
Pupil Transportation	1,034,998	1,011,140	1,071,311	1,868,038	2,006,894	2,087,218	2,285,470	2,523,219	2,628,621	2,311,939
Central	127,575	394,136	282,408	228,734	505,591	486,114	757,203	833,589	945,090	549,227
Operation of Non-Instructional Services	0	0	0	0	115,404	175,153	184,663	183,734	209,782	192,673
Extracurricular Activities	166,401	162,352	193,626	220,508	423,779	506,647	557,096	602,915	579,269	664,576
Capital Outlay	11,975	16,306	14,026	100	1,650,000	0	108,663	0	565,896	0
Debt Service	0	62,500	130,204	0	161,262	197,994	264,194	218,458	1,435,383	0
Total Expenditures	\$15,239,638	\$16,681,323	\$18,171,726	\$20,451,890	\$24,015,895	\$23,996,985	\$27,040,343	\$29,575,428	\$32,868,878	\$31,378,227

Source: Loveland City School District records

(1) Fiscal year 1997 is the first year reported on a GAAP basis.
 All prior years are reported on a cash basis.

Loveland City School District
 Property Tax Levies and Collections - Real and Public Utility Property
 Last Ten Collection (Calendar) Years (1)

TABLE 5

Collection Year	Tax Levied (2)	Current Tax Collections (3)	Percent Collected	Delinquent Collection	Total Tax Collections	Percent Of Total Collections To Levy	Outstanding Delinquent Taxes (4)	Percent of Outstanding Delinquent Taxes To Tax Levied
1996	\$7,115,710	\$6,755,499	94.94%	\$141,058	\$6,896,557	96.92%	\$250,110	3.23%
1997	13,036,017	12,525,568	96.08%	261,768	12,787,336	98.09%	310,211	2.38%
1998	13,486,817	13,060,591	96.84%	243,934	13,304,525	98.65%	364,283	2.70%
1999	16,966,396	16,131,988	95.08%	326,805	16,458,793	97.01%	556,871	3.28%
2000	18,442,065	17,421,821	94.47%	440,710	17,862,531	96.86%	469,069	2.54%
2001	22,353,756	21,277,501	95.19%	476,070	21,753,571	97.32%	617,681	2.76%
2002	22,900,683	20,633,779	90.10%	570,869	21,204,448	92.59%	618,233	2.70%
2003	24,064,622	22,877,552	95.07%	532,710	23,410,262	97.28%	588,981	2.45%
2004	24,247,024	23,385,501	96.45%	635,931	24,021,432	99.07%	96,826	0.40%
2005	28,892,627	27,477,661	95.10%	542,926	28,020,587	96.98%	851,674	2.95%

Source: Hamilton, Clermont, and Warren County Auditors.

- (1) Information from 1996 was not available from the Clermont County Auditor, with the exception of Total Tax Collections.
- (2) Taxes levied and collected are presented on a cash basis.
- (3) State reimbursements of rollback and homestead exemptions are included.
- (4) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.

Loveland City School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection (Calendar) Years (1)

TABLE 6

Collection Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996	\$310,977,660	\$888,507,600	\$16,932,573	\$67,730,292	\$15,283,010	\$19,103,762	\$343,193,243	\$975,341,654	35.19%
1997	359,013,820	1,025,753,771	18,125,788	72,503,152	16,151,890	20,189,862	393,291,498	1,118,446,785	35.16%
1998 (3)	376,071,340	1,074,489,542	17,956,915	71,827,660	15,568,740	19,460,925	409,596,995	1,165,778,127	35.14%
1999	404,859,700	1,156,742,000	18,737,560	74,950,240	21,983,070	27,478,837	445,580,330	1,259,171,077	35.39%
2000	473,423,150	1,352,637,572	18,492,899	73,971,596	16,213,910	20,762,873	508,129,959	1,447,372,041	35.11%
2001	493,750,330	1,410,715,228	19,102,170	76,408,680	15,183,670	19,474,716	528,036,170	1,506,598,624	35.05%
2002	513,115,990	1,466,045,685	16,917,640	67,670,560	10,635,170	13,654,969	540,668,800	1,547,371,214	34.94%
2003	572,677,040	1,636,220,114	19,153,180	57,994,537	11,230,160	14,037,700	603,060,380	1,708,252,351	35.30%
2004	588,687,400	1,681,964,000	15,284,424	61,137,696	11,537,520	14,421,900	615,509,344	1,757,523,596	35.02%
2005	608,057,380	1,737,306,800	14,055,939	56,223,756	11,013,710	13,767,138	633,127,029	1,807,297,694	35.03%

Source: Hamilton, Clermont and Warren County Auditors.

(1) County Auditor property tax records are maintained on a calendar year basis.

(2) Ratio represents total assessed value/total estimated value.

(3) Information for 1998 was not available from Warren County. The 1998 values include only Hamilton County and Clermont County.

TABLE 7

Loveland City School District
 Property Tax Rates (Per \$1,000 of Assessed Valuation)
 Direct and Overlapping Governments
 Last Ten Collection (Calendar) Years

Entity	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Loveland City School District	\$74.42	\$69.74	\$70.14	\$70.14	\$69.99	\$63.56	\$64.21	\$59.58	\$60.14	\$55.44
Hamilton County	21.06	21.51	21.87	21.47	19.92	20.83	19.54	19.01	19.44	18.30
City of Loveland	11.00	11.72	12.00	12.00	9.76	9.78	10.00	10.00	10.00	10.00
Symmes Township	12.80	13.45	13.45	11.75	11.75	11.75	11.90	11.00	11.00	11.00
Great Oaks Joint Vocational School	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Warren County	6.46	6.53	6.53	4.00	4.00	4.00	4.75	5.00	5.00	6.57
Clermont County	9.35	9.35	8.6	9.35	9.25	9.25	9.25	9.25	9.25	9.25
Goshen Township	21.60	21.60	21.60	17.60	17.60	17.60	17.60	17.60	17.60	17.60
Miami Township	22.11	22.11	22.11	22.11	22.11	22.11	22.11	22.11	22.11	18.60

Source: Hamilton, Clermont and Warren County Auditors.

TABLE 8

Loveland City School District
 Ratio of Net General Bonded Debt (Including Notes) to Assessed Value
 And Net Bonded Debt Per Capita
 Last Ten (Calendar) Years

Year	Population (1)	Total Assessed Value (2)	Gross Bonded Debt (Including Notes)	Less Debt Service Fund (3)	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value (%)	Estimated Net Bonded Debt Per Capita
1996	12,882	\$343,193,243	\$15,110,000	\$1,010,680	\$14,099,320	4.11%	\$1,094
1997	12,882	400,291,498	14,365,000	1,459,936	12,905,064	3.22%	1,002
1998 (4)	12,882	409,596,995	13,683,000	1,476,129	12,206,871	2.98%	948
1999	12,882	445,580,330	45,140,734	23,311,701	21,829,033	4.90%	1,695
2000	12,882	508,129,959	43,520,734	3,153,135	40,367,599	7.94%	3,134
2001	11,677	528,036,170	41,965,734	3,328,936	38,636,798	7.32%	3,309
2002	11,677	540,668,800	41,551,734	3,533,335	38,018,399	7.03%	3,256
2003	11,677	603,060,380	39,608,734	4,282,740	35,325,994	5.86%	3,025
2004	11,677	615,509,344	36,173,734	4,327,209	31,846,525	5.17%	2,727
2005	11,677	633,127,029	35,461,067	5,501,268	29,959,799	4.73%	2,566

Sources:

- (1) Estimates provided by the City of Loveland based on Census data. Data is included for the entire City of Loveland, information specific to the school district boundaries could not be obtained.
- (2) Hamilton, Clermont and Warren County Auditors, calendar year basis.
- (3) Fiscal Year 1997 is the first year reported on a GAAP basis. All prior years are reported on a cash basis.
- (4) Information for 1998 was not available from Warren County. The 1998 values include only Hamilton County and Clermont County.

Assessed Valuation of District		<u>\$633,127,029</u>
<u>Overall Direct Debt Limitation</u>		
Direct debt limitation		
9% of assessed valuation		\$56,981,433
Amount available in Debt Service Fund		5,501,268
Gross indebtedness	\$35,461,067	
Less: Debt exempt from limitation	<u>0</u>	
Debt subject to 9% limitation		<u>(35,461,067)</u>
Legal debt margin within 9% limitation		<u>\$27,021,634</u>
<u>Unvoted Direct Debt Limitation</u>		
Unvoted debt limitation		
0.1% of assessed valuation		\$633,127
Amount available in Debt Service Fund related to unvoted debt		0
Gross indebtedness authorized by the Board	0	
Less: Debt exempt from limitation	<u>0</u>	
Debt subject to 0.1% limitation		<u>0</u>
Legal debt margin within 0.1% limitation		<u>\$633,127</u>
<u>Energy Conservation Bond Limitation</u>		
Ohio Revised Code Section 133.042		
Debt limitation		
0.9% of assessed valuation		\$5,698,143
Energy conservation notes authorized by the Board		0
Legal debt margin within 0.9% limitation		<u>\$5,698,143</u>

Source: Loveland City School District records.

Loveland City School District
 Computation of Direct and Overlapping Debt
 June 30, 2005

TABLE 10

Governmental Unit	Gross General Obligation	Percent Applicable to District (1)	Amount Applicable to District
Direct:			
Loveland City School District	<u>\$34,259,810</u>	100.00%	<u>\$34,259,810</u>
Overlapping:			
Clermont County	\$27,933,112	7.56%	\$2,111,743
Hamilton County	123,280,000	1.79%	2,206,712
Warren County	684,665	0.18%	1,232
City of Loveland	5,800,000	88.16%	5,113,280
Goshen Township	2,800,000	8.06%	225,680
Hamilton Township	3,240,000	0.93%	30,132
Miami Township	4,235,000	26.04%	1,102,794
Symmes Township	7,950,000	27.98%	2,224,410
Great Oaks Joint Vocational S/D	<u>4,340,000</u>	3.63%	<u>157,542</u>
Total overlapping:	<u>\$180,262,777</u>		<u>\$13,173,525</u>
Total direct and overlapping debt:	<u><u>\$214,522,587</u></u>		<u><u>\$47,433,335</u></u>

Source: Ohio Municipal Advisory Council

(1) Calculated by the Ohio Municipal Advisory Council

Loveland City School District
 Ratio of Annual Debt Service Expenditures
 For General Bonded Debt to Total General Fund Expenditures
 Last Ten Fiscal Years

TABLE 11

<u>Fiscal Year (1)</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures (%)</u>
1996	\$1,661,161	\$15,239,638	10.90%
1997	1,648,069	16,681,323	9.88%
1998	1,493,226	18,171,726	8.22%
1999	1,536,542	20,410,282	7.53%
2000	3,662,997	24,015,895	15.25%
2001	3,545,493	23,996,985	14.77%
2002	3,703,508	27,040,343	13.70%
2003	3,876,143	29,575,428	13.11%
2004	4,037,828	32,868,878	12.28%
2005	4,077,921	31,378,227	13.00%

Source: Loveland City School District records.

- (1) Fiscal Year 1997 is the first year reported on a GAAP basis.
 All prior fiscal years are reported on a cash basis.

	<u>1996-1999</u>	<u>2000-2005</u>
Population	12,882	11,677
Households	4,463	4,497
Average Household Income	\$54,299	\$52,738
Average Home Value	\$109,694	\$134,000
Population by Education		
Completed 4+ Years of College	1,693	2,624
Occupation		
White Collar Workers	4,214	*
Blue Collar Workers	1,458	*

Source: Estimates provided by the City of Loveland based on Census data.
 Data is for the City of Loveland. Data for the District only was not available.

* Information not available

Calendar Year	Construction (1)	Bank Deposits (2) (in Thousands)	Property Values (3)
1996	\$11,834,000	\$18,661,138	\$310,977,660
1997	885,000	21,598,936	359,013,820
1998	10,797,000	18,070,437	376,071,340
1999	20,000,000	24,305,322	404,859,700
2000	15,000,000	41,302,569	508,129,959
2001	7,519,000	78,562,782	528,036,170
2002	4,000,000	133,726,320	540,668,800
2003	13,268,000	149,280,002	603,060,380
2004	13,268,000	149,280,002	615,509,344
2005	*	149,421,216	663,127,029

Sources:

- (1) City of Loveland, Ohio.
- (2) Total deposits of all banks headquartered in Hamilton, Clermont, Warren Counties, Ohio. (includes national and state chartered banks.) Data was not available for the District only. Federal Reserve Bank, Cleveland.
- (3) Hamilton, Clermont and Warren County Auditors, calendar year basis. Real property assessed values.
- * Information not available

Loveland City School District
 Real Property
 Top Ten Principal Taxpayers
 June 30, 2005

TABLE 14

Name of Taxpayer	Real Property	% of Total Assessed Valuation
CINERGY	\$4,370,260	0.69%
Clermont Golf Ltd.	2,379,990	0.38%
Deer Ridge Partners Ltd	1,887,100	0.30%
Arrowhead Apartments Ltd.	1,522,510	0.24%
Robert McCabe Real Estate Group	1,388,910	0.22%
Loveland-Pierce Ltd	1,365,000	0.22%
Cincinnati Bell	1,256,770	0.20%
Kossmann-Loveland-Madeira	1,029,980	0.16%
Loveland-Pierce III, LTD	1,027,960	0.16%
CUC Properties, L.L.C.	966,960	0.15%
	\$17,195,440	2.72%

Source: Hamilton, Clermont and Warren County Auditors.

TABLE 15

Enrollment by Grade

	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2004-05	387	349	354	332	308	328	345	366	319	365	322	288	279	4,342

The following are projections:

2005-06	360	297	289	291	327	321	329	325	371	335	365	321	266	4,197
2006-07	358	296	288	291	308	332	329	330	335	372	342	351	300	4,232
2007-08	357	295	288	290	307	313	340	330	339	336	379	329	329	4,232
2008-09	355	295	290	288	290	303	310	342	332	335	335	375	320	4,170
2009-10	350	352	291	285	284	285	298	305	337	324	330	330	369	4,140
2010-11	355	290	295	291	285	285	285	285	290	300	310	320	330	3,921
2011-12	331	283	281	289	288	298	305	334	332	340	348	335	306	4,070
2012-13	330	270	280	280	290	290	295	300	330	330	340	340	330	4,005
2013-14	427	344	337	343	350	356	367	368	364	374	382	349	311	4,672

Source: Loveland City School District records.

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LOVELAND CITY SCHOOL DISTRICT

Single Audit Reports

June 30, 2005

LOVELAND CITY SCHOOL DISTRICT

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2005

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	04-PU	10.555	\$125,629	\$0	\$125,629	\$0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>125,629</u>	<u>0</u>	<u>125,629</u>	<u>0</u>
Food Distribution Program	03-PU	10.550	0	65,252	0	65,252
Total U.S. Department of Agriculture - Nutrition Cluster			<u>125,629</u>	<u>65,252</u>	<u>125,629</u>	<u>65,252</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	754,775	0	702,639	0
Preschool Grant	PG-S1	84.173	19,157	0	16,564	0
Total U.S. Special Education Cluster			<u>773,932</u>	<u>0</u>	<u>719,203</u>	<u>0</u>
Title I Grant	C1-S0	84.010	154,226	0	154,226	0
Title V	C2-S1	84.298	20,381	0	20,381	0
Tech Literacy	TF-S1	84.318	4,100	0	4,100	0
Drug Free Schools Grant	DR-S1	84.186	12,504	0	12,504	0
Improving Teacher Quality	TR-S1	84.367	108,733	0	108,733	0
Total Department of Education			<u>1,073,876</u>	<u>0</u>	<u>1,019,147</u>	<u>0</u>
Total Federal Assistance			<u>\$1,199,505</u>	<u>\$65,252</u>	<u>\$1,144,776</u>	<u>\$65,252</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.



November 14, 2005

**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 Board of Education
Loveland City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Loveland City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2005 in which we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*. 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.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-1.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Plattenburg & Associates, Inc.
Certified Public Accountants



PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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November 14, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Loveland City School District

Compliance

We have audited the compliance of Loveland City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

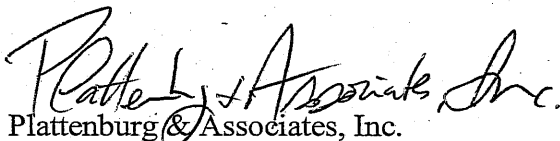
The management of the District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005 in which we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Plattenburg & Associates, Inc.

Certified Public Accountants

LOVELAND CITY SCHOOL DISTRICT
June 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were the any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	Special Education Cluster
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2005-001

Non Compliance Citation

Ohio Revised Code Section 5705.41D states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During the year certain expenditures were not properly encumbered prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.

Recommendation

We recommend that the District comply with the Ohio Revised Code by reviewing invoices and ensuring that all expenditures have a purchase order prior to making a purchase.

Management's Comments/Response

The District is reviewing expenditures and requiring purchase orders for District purchases.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

LOVELAND CITY SCHOOL DISTRICT
JUNE 30, 2005

SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS
OMB CIRCULAR A-133

Loveland City School District had no prior audit findings or questioned costs.



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LOVELAND CITY SCHOOL DISTRICT

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
APRIL 4, 2006**